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# SAN FRANCISCO PORT COMMISSION

Doreen Woo Ho, President  
Kimberly Brandon, Vice President  
Willie Adams, Commissioner  
Leslie Katz, Commissioner  
Mel Murphy, Commissioner

Monique Moyer, Executive Director  
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary  
Phone: 415-274-0406; Fax 415-274-0412

## AGENDA TUESDAY, OCTOBER 8, 2013 3:15 P.M. OPEN SESSION

### POR<sup>5</sup> T COMMISSION HEARING ROOM, SECOND FLOOR FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at [www.sfport.com](http://www.sfport.com). The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

10-07-11 POC:25 RCVD

1. CALL TO ORDER / ROLL CALL  
GOVERNMENT  
DOCUMENTS DEPT
2. APPROVAL OF MINUTES – September 24, 2013  
OCT - 4 2013
3. PLEDGE OF ALLEGIANCE  
SAN FRANCISCO  
PUBLIC LIBRARY
4. ANNOUNCEMENTS  
  - A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
  - B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.



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## **5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA**

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

## **6. EXECUTIVE**

### A. Executive Director's Report

- Commendation to the Golden Gate Yacht Club for the 34<sup>th</sup> America's Cup
- Commendation to the America's Cup Event Authority for the 34<sup>th</sup> America's Cup
- Commendation to the America's Cup Organizing Committee for the 34<sup>th</sup> America's Cup
- Commendation to Oracle Team USA on winning the 34<sup>th</sup> America's Cup
- First Annual Wharf Fest – October 26-27, 2013 from 11 a.m. to 6 p.m.
- Proclamation for PIER 39's 35<sup>th</sup> Anniversary – 1978 to 2013

## **7. CONSENT**

### A. Request approval of a Mutual Termination Agreement with Literacy for Environmental Justice, for Lease No. L-13816, for the EcoCenter at Heron's Head Park, located at Jennings Street and Cargo Way, subject to Board of Supervisors' approval. (Resolution No. 13-39)

## **8. MARITIME**

### A. Request authorization to accept and expend \$2,970,000 in grant funds from the Federal Railroad Administration for the rebuilding of the Quint Street Lead Track from the Peninsula Corridor Joint Powers Board mainline to the Port of San Francisco. (Resolution No. 13-40)

## **9. PLANNING AND DEVELOPMENT**

### A. Informational Presentation on the Orton Development, Inc. proposed project for the lease and rehabilitation of the 20<sup>th</sup> Street Historic Buildings on or near 20<sup>th</sup> and Illinois Streets at Pier 70.

### B. Request authorization to award contracts to three firms: AguaTierra Associates, Inc., dba Weiss Associates, Baseline Environmental Consulting, and SCA Environmental, Inc. for As-Needed Environmental and related Professional



Services, each in the amount of \$1 million, totaling \$3 million. (Resolution No. 13-41)

**10. NEW BUSINESS**

**11. ADJOURNMENT**



**FORWARD CALENDAR**  
**(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

OCTOBER 22, 2013

	<b>FACILITY/POLICY</b>	<b>ITEM</b>	<b>TITLE</b>
1	Portwide	Informational	Presentation on the proposed adoption of the 2013 Port of San Francisco Building Code
2	Pier 70	Informational	Update on the mixed-use development project by Forest City Development for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street and the San Francisco Bay
3	Portwide	Action	Approval to revise the existing Board Resolution of Intention to form the Port Infrastructure Financing District and Designation of Project Areas
4	Seawall Lot 322-1	Action	Approval of Memorandum of Understanding between the San Francisco Mayor's Office of Housing ("MOH") and the Port regarding the terms and conditions under which the Port will allow MOH to solicit a developer to enter into a lease with the Port for the development of Seawall Lot 322-1 with an affordable housing development.
5	Northern Waterfront	Action	Authorization to issue a Request For Proposals for Northern Waterfront Parking lots
6	Portwide	Action	Approval of the Operations Agreement by and between the City and County of San Francisco by and through its San Francisco Port Commission and Expeditors International of Washington, Inc. granting Expeditors International authority to operate its site in Brisbane, California as a Foreign Trade Zone #3 Site for a term of 5 years, with a mutual option to extend for 5 years

NOVEMBER 12, 2013

	<b>FACILITY/POLICY</b>	<b>ITEM</b>	<b>TITLE</b>
1	Seawall Lot 337	Informational	Update on the mixed-use development project for Seawall Lot 337 and Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park
2	Pier 9	Action	Approval of Port of San Francisco Lease Number L-15721 with Autodesk, a Delaware



			Corporation for a term of eight (8) years for approximately 3,400 square feet of unimproved Pier 9 shed space
3	Tulare Park @ Cesar Chavez Street, Islais Street & Pier 90	Action	Authorization to advertise for competitive bids for Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects located at Cesar Chavez Street, Islais Street, and Pier 90
4	Portwide	Action	Request for approval for two Public Relations and Media Contract
5	Portwide	Action	Approval of: (1) issuance of Port of San Francisco Series 2013 Revenue Bonds to fund certain improvements on Port property in the aggregate principal amount not to exceed twenty six million dollars (\$26,000,000) with an interest rate not to exceed twelve percent per annum; (2) the forms of Indenture of Trust between the Port and a trustee; (3) the sale of the Bonds by negotiated sale pursuant to a purchase contract; (4) the form of a bond purchase contract; (5) the preliminary form of the Official Statement relating to the Bonds and the distribution of the statement; and (6) the form of the Continuing Disclosure Certificate of the Port and the execution of the certificate.

#### SPECIAL MEETING - DECEMBER 12, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Heron's Head Park at Cargo and Jennings Street	Action	Authorization to execute a lease for the "Eco Center at Heron's Head Park" and surrounding 6,058 square feet of non-exclusive license area.
2	Portwide	Action	Request approval of the Executive Director's nomination of members to the Port Building Code Review Board
3	Pier 38	Action	Request authorization to enter into exclusive negotiations with the best qualified Pier 38 developer
4	Pier 70	Action	Approval of a lease and development agreement with Orton Development Inc. for the 20 <sup>th</sup> Street Historic Buildings at Pier 70

#### JANUARY 14, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Action	Approval to award the Hazardous Waste Contract

DATE TO BE DETERMINED



	<b>FACILITY/POLICY</b>	<b>ITEM</b>	<b>TITLE</b>
1	Pier 27	Informational	Presentation on the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
2	Pier 27	Action	Approval of the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
3	South Beach	Action	Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program
4	Pier 31	Action	Authorization to advertise for competitive bids for Construction, Pier 31 Building and Roof Repairs
5	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
6	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Building and Roof Repairs
7	Portwide	Action	Adoption of the 2013 Port of San Francisco Building Code
8	Army Street, Islais Street, and Pier 90	Action	Authorization to award Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects
9	Pier 31	Action	Authorization to award Construction Contract No. XX, Pier 31 Building and Roof Repairs
10	Pier 94 and 96	Action	Authorization to award Construction Contract No. X, Pier 94-96 Storm Drain and Outfall Repairs
11	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Building and Roof Repairs
12	3 <sup>rd</sup> Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project
13	Copra Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
14	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
15	Pier 35	Action	Request authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs
16	3 <sup>rd</sup> Street & Cargo Way Triangle and Cargo Way	Action	Authorization to award Construction Contract No. 2764, Quint Street Lead Improvement Project
17	Copra Loading Dock near Tulare Street	Action	Authorization to award Construction No. XX, Copra Crane Refurbishment



18	Pier 70	Action	Authorization to award Construction Contract No. 2740, Crane Cove Park Project - Phase 1
19	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Substructure Repairs
20	Pier 70	Action	Approval of Lease No. L-15690 and L-15691 with Affordable Self Storage, Inc., subject to Board of Supervisors' approval, for a container storage facility on paved vacant land within Pier 70 in the Southern Waterfront
21	Portwide	Action	Request implementation of a 1.7% General Rate Increase for all items in the Port of San Francisco's Tariff Federal Maritime Commission 5, as approved by the California Association of Port Authorities

**COMMUNICATIONS TO PORT COMMISSION**  
**From September 20 to October 3, 2013**

- Robert Alvarado, Executive Director of Northern California Carpenters Regional Council, invitation to the 53<sup>rd</sup> Annual Holiday Moose Feed Luncheon on December 13, 2013 at 12:30 p.m. at the San Francisco Hilton & Towers
- From Dennis MacKenzie, Round the Diamond, regarding San Francisco-Warriors Multi-Purpose Cultural Center and Basketball Arena High School-College Career Pathway Classroom



**OCTOBER/NOVEMBER 2013**  
**CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC**

DATE	TIME	GROUP	LOCATION
Oct. 22	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Nov. 12	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Dec. 10 Cancelled	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Dec. 12 Special Meeting	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Special Meeting	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

**NOTES:**

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ [www.sfport.com](http://www.sfport.com). The Port Commission meetings can be viewed online at [http://sanfrancisco.granicus.com/ViewPublisher.php?view\\_id=92](http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92). The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or [amy.quesada@sfport.com](mailto:amy.quesada@sfport.com)

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or [rip.malloy@sfport.com](mailto:rip.malloy@sfport.com)

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or [jim.maloney@sfport.com](mailto:jim.maloney@sfport.com)

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or [catherine.reilly@sfgov.org](mailto:catherine.reilly@sfgov.org)

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or [jonathan.stern@sfport.com](mailto:jonathan.stern@sfport.com)

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or [mark.paez@sfport.com](mailto:mark.paez@sfport.com)

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or [david.beaupre@sfport.com](mailto:david.beaupre@sfport.com)

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or [dan.hodapp@sfport.com](mailto:dan.hodapp@sfport.com)



## ACCESSIBLE MEETING INFORMATION POLICY

### **FERRY BUILDING:**

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

### **Know Your Rights Under the Sunshine Ordinance:**

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at [sotf@sfgov.org](mailto:sotf@sfgov.org). Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

## NOTICES

### **Prohibition of Ringing of Sound Producing Devices:**

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

### **Lobbyist Registration and Reporting Requirements:**

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: [www.sfgov.org/ethics](http://www.sfgov.org/ethics).





## MEMORANDUM

October 3, 2013

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Willie Adams  
Hon. Leslie Katz  
Hon. Mel Murphy

**FROM:** Monique Moyer *M. Moyer*  
Executive Director

**SUBJECT:** Request Approval of a Mutual Termination Agreement with Literacy for Environmental Justice, for Lease No. L-13816, for the EcoCenter at Heron's Head Park, located at Jennings Street and Cargo Way, subject to Board of Supervisors approval

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### **DIRECTOR'S RECOMMENDATION: APPROVE RESOLUTION**

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#### **EXECUTIVE SUMMARY**

Port staff is seeking authorization from the Port Commission to execute a Mutual Termination Agreement with Literacy for Environmental Justice ("LEJ"), a California corporation. LEJ has requested to terminate its Lease No. L-13816 ("Lease") prior to its specified termination date of December 6, 2017, subject to Board of Supervisors approval.

#### **BACKGROUND**

Heron's Head Park is a 22-acre open space owned and operated by the Port of San Francisco (the "Port") dedicated to wetland and wildlife habitat and passive recreation (see Exhibit A – Site Location). The EcoCenter is an approximately 2,300 square foot building within Heron's Head Park. It is comprised of a single open meeting room, adjacent wastewater treatment room, two restrooms, and two very small office and utility rooms.

LEJ, a non-profit organization in the Bayview-Hunters Point neighborhood, has leased the footprint of land beneath the EcoCenter and surrounding 6,058 square-foot non-

**THIS PRINT COVERS CALENDAR ITEM NO. 7A**



exclusive outdoor license area (see Exhibit B and B-1 – Site Plan for Lease No. L-13816) since 2007. The Lease and a subsequent addendum revising certain construction requirements were approved by Port Commission Resolution Nos. 05-64 and 07-63 and Board of Supervisors Resolution Nos. 60-06 and 553-07.

The Port and LEJ also entered into other agreements related to the Lease, including License No. 14831 for installation of a potable water supply line (“License”), an Agreement Protecting the Public Interest in Certain Improvements and Development dated July 16, 2008 with the Port and California State Coastal Conservancy, and a Letter Agreement Regarding Mayor's Office of Housing Division of Community Development Funding for Improvements at The EcoCenter at Heron's Head Park dated February 16, 2010 with the Port and the Mayor's Office of Housing, Division of Community Development.

LEJ secured funds, permits, licenses and approvals required for construction, and completed construction in 2010. Since opening the EcoCenter, LEJ has experienced financial and staffing setbacks and is unable to operate, maintain and program the facility. LEJ approached the Port seeking to terminate its Lease and License for the EcoCenter. Both parties desire to terminate the Lease and License so that the Port may seek a new tenant to operate the EcoCenter and achieve the public benefit originally intended.

Port staff requested and received Port Commission authorization on September 24, 2013 to issue a Request for Proposals seeking qualified entities to lease the EcoCenter, contingent upon termination of the subject Lease and License. The proposal solicitation process is underway.

### **MUTUAL TERMINATION AGREEMENT**

The Mutual Termination Agreement transfers ownership of the EcoCenter building and all site improvements to the Port. The Port retains the Security Deposit, Capital Improvement Fee, and Removal Fee, a total of \$68,000. LEJ agrees to cooperate with the Port and third party funders in any matter relating to the termination. The Mutual Termination Agreement will also specify that each party will release the other from obligations and liability related to the Lease, License or related agreements, except for LEJ's indemnification obligations and any other obligation that expressly survive termination.

### **RECOMMENDATION**

Port staff recommends that the Port Commission approve the attached resolution authorizing staff to execute a Mutual Termination Agreement between the Port of San Francisco and Literacy for Environmental Justice, subject to approval by the Board of Supervisors of the City and County of San Francisco under Charter section 9.118.



Prepared by: Carol Bach, Environmental & Regulatory Affairs Manager  
Planning & Development Division

Jeff Bauer, Senior Leasing Manager  
Real Estate Division

For: Byron Rhett, Deputy Director  
Planning & Development Division

Susan Reynolds, Deputy Director  
Real Estate Division

Exhibit A: Site Location, The EcoCenter at Heron's Head Park

Exhibit B: Site Plan for Lease L--13816



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 13-39**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control lands within Port jurisdiction; and
- WHEREAS, Port tenant, Literacy for Environmental Justice (LEJ), seeks termination of its Lease No. L-13816 for the 2,292 square-foot building located within the Port's Heron's Head Park, known as "the EcoCenter at Heron's Head Park" (the "EcoCenter") and the surrounding 6,058 non-exclusive license area, and License No. 14831 for installation of a potable water supply line to the EcoCenter; and
- WHEREAS, Both the Port and LEJ desire to terminate the Lease and License to enable the Port to lease the EcoCenter to a new tenant; and
- WHEREAS, Port staff has requested Port Commission authorization to execute a Mutual Termination Agreement with LEJ under which the Port would assume ownership of the EcoCenter and retain related deposits and fees and the parties would obtain a mutual release of claims, except for LEJ's indemnification obligations and any other provisions of the lease that expressly survive termination; now, therefore, be it
- RESOLVED, That the Port Commission authorizes staff to execute a Mutual Termination Agreement with LEJ in accordance with the terms set forth in this Memorandum to the Port Commission dated September 27, 2013 and substantially in the form on file with the Commission Secretary, and to seek final approval of the City and County of San Francisco Board of Supervisors in accordance with Charter section 9.118.

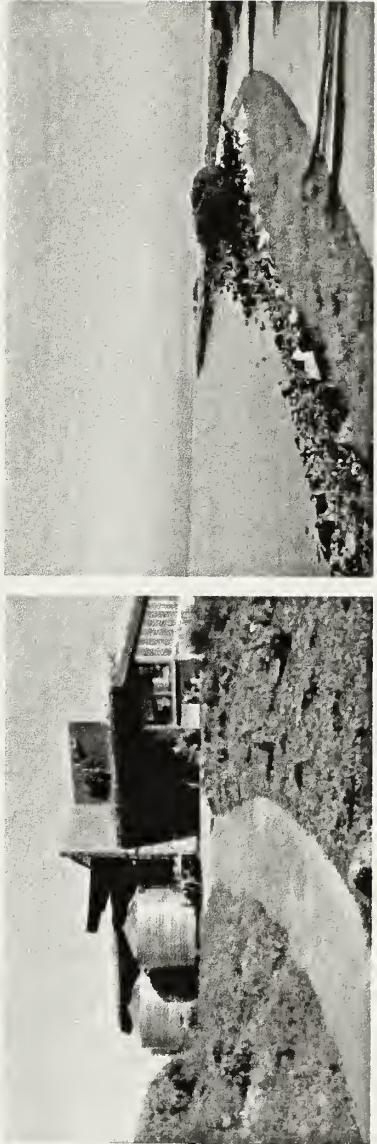
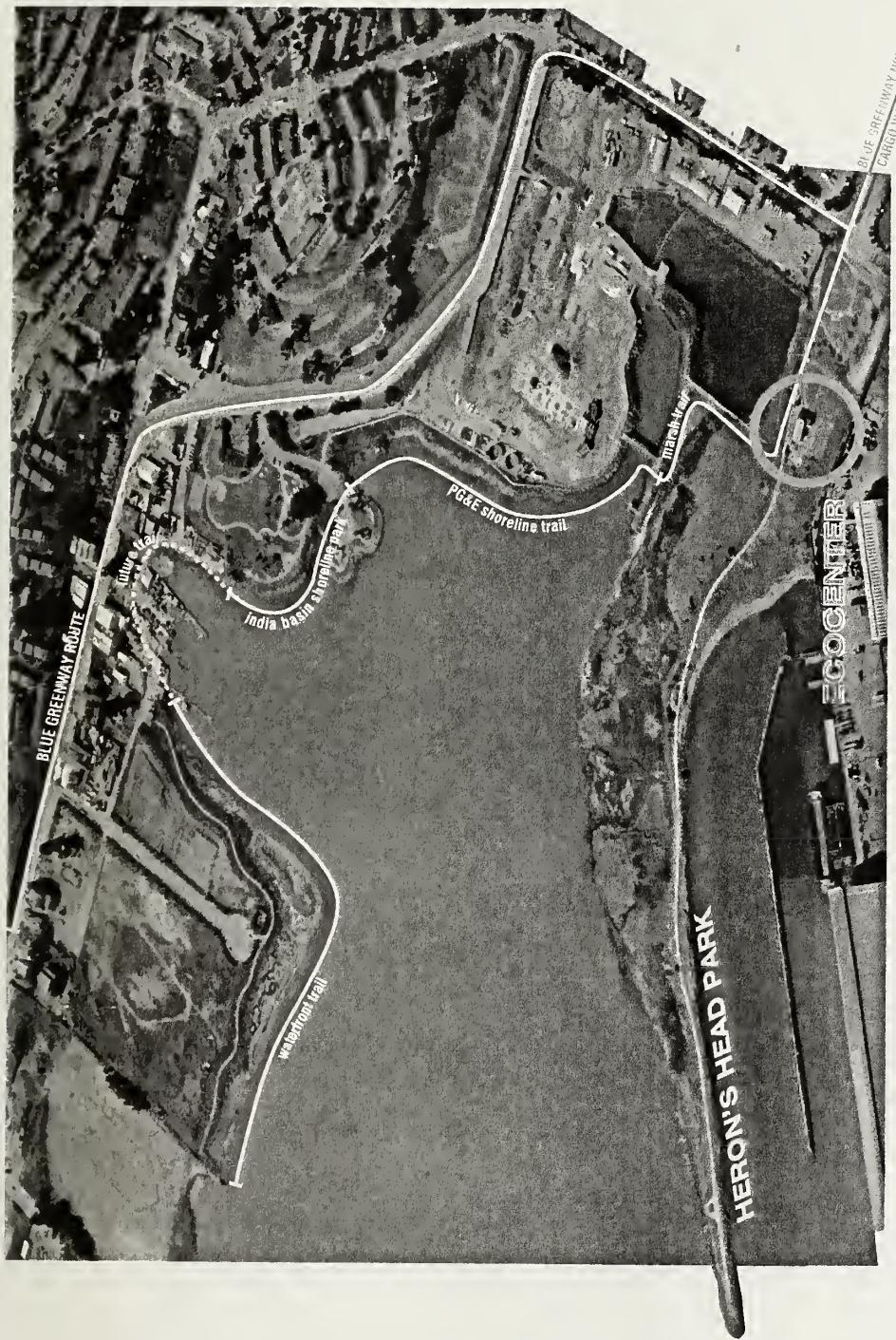
*I hereby certify that the Port Commission at its meeting of October 8, 2013 adopted the foregoing Resolution.*

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Secretary



Exhibit A. Site Location, The EcoCenter at Heron's Head Park





LIVING CLASSROOM  
AT HERON'S HEAD PARK  
AREA = 2,292 Sq Ft

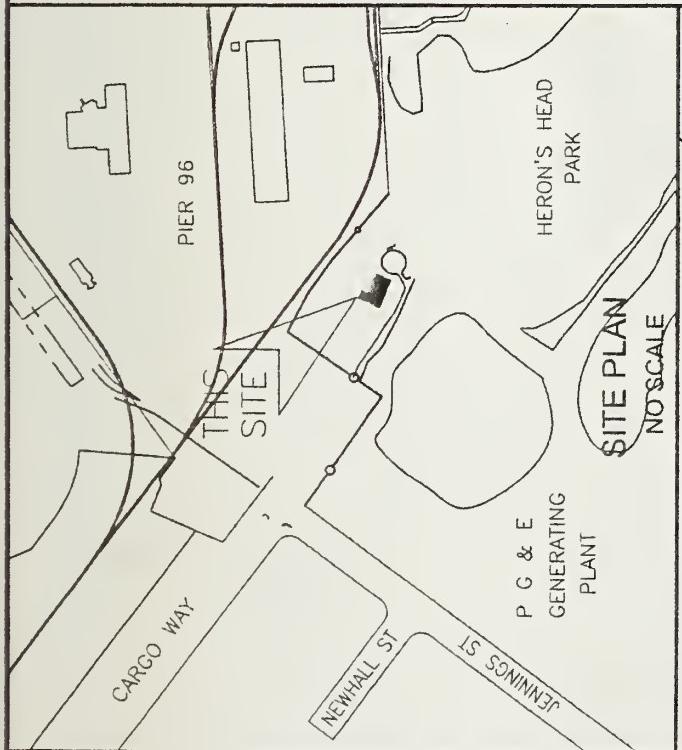
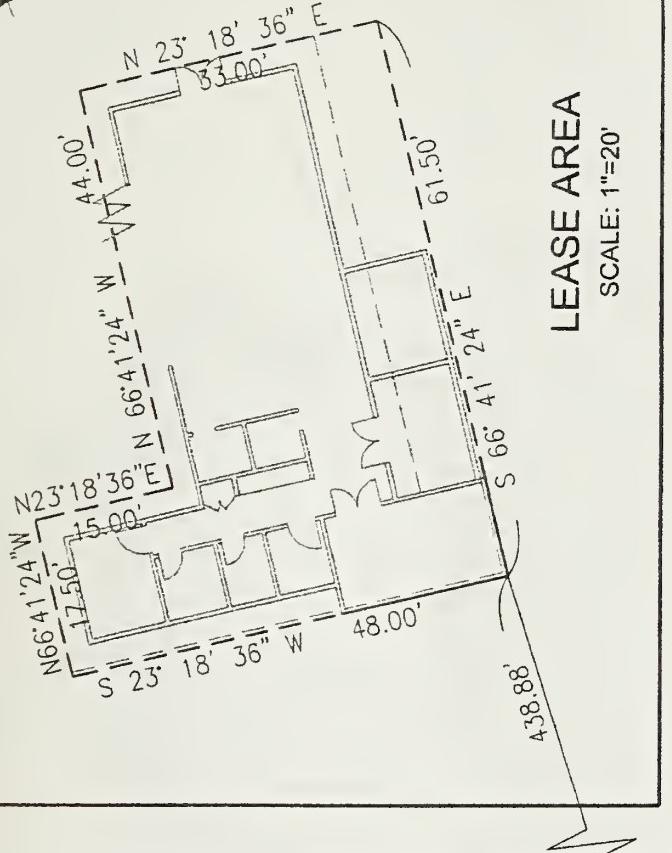


EXHIBIT B

INITIALS: PORT:

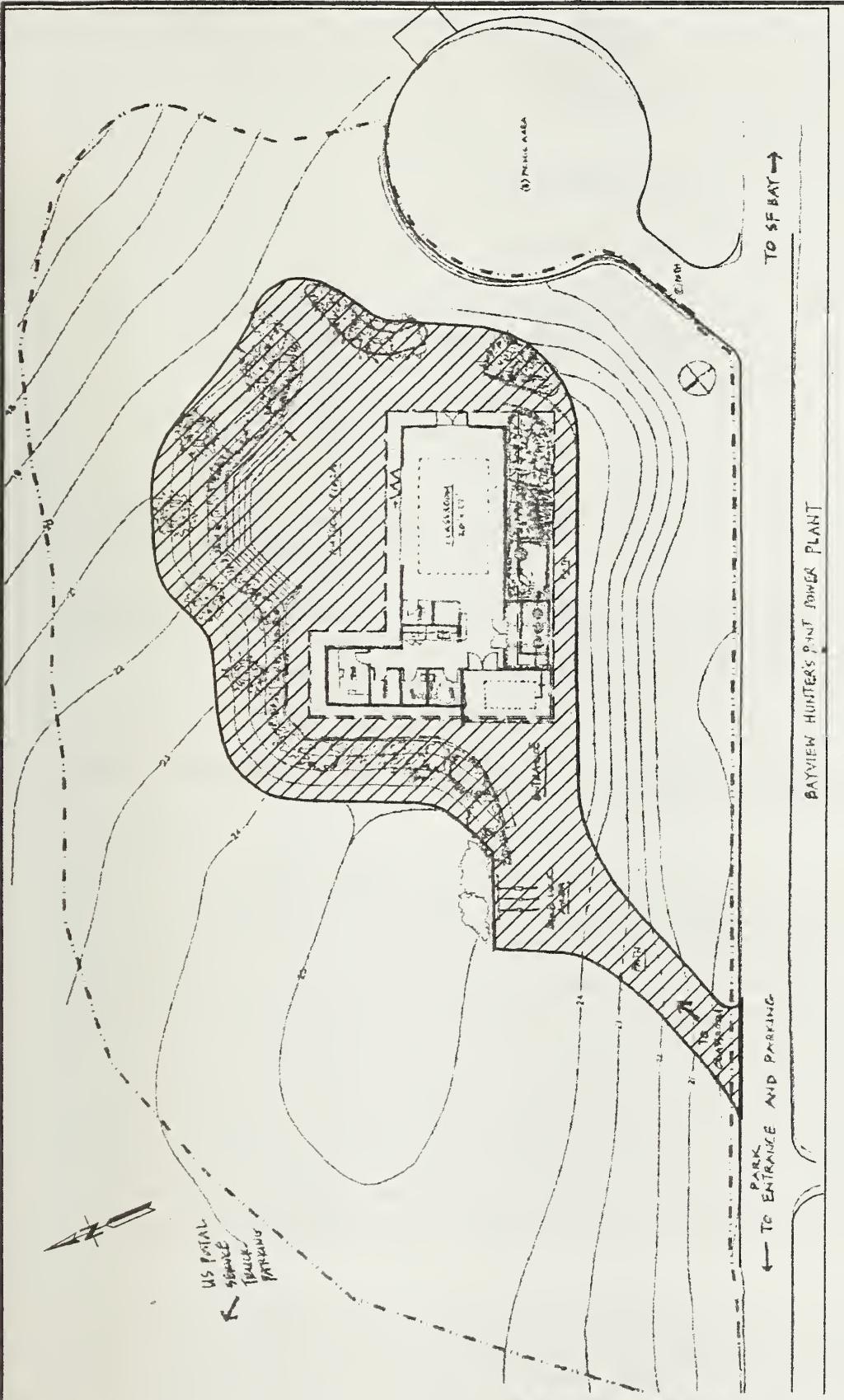
TENANT:

DATE:

LEASE NO. L-13816  
TENANT  
LITERACY FOR  
ENVIRONMENTAL JUSTICE

SAN FRANCISCO PORT COMMISSION  
PORT OF SAN FRANCISCO  
DEPARTMENT OF ENGINEERING  
PORT 2  
San Francisco  
DATE: JULY 07, 2005  
DRAWN BY: ECC, AMN  
CHECKED BY: M. LOZOVOY  
PLACE CODE NO. 1980-00  
SCALE: AS SHOWN  
SHEET NO. 1  
1/25 - SURVEY





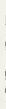
NON-EXCLUSIVE LICENSE  
AREA  $\approx$  6,058 SQ. FT.  
(NOT INCLUDING FLOOR PLAN AREA)

SCALE: 1" = 30'



**EXHIBIT B-1**

INITIALS: PORT: \_\_\_\_\_ TENANT: \_\_\_\_\_ DATE: \_\_\_\_\_

LEASE NO.	L-13816	TENANT SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO  DEPARTMENT OF ENGINEERING	LITERACY FOR ENVIRONMENTAL JUSTICE	
		DRAWN BY: ECC, AMN CHECKED BY: M. LOZOVAY PLACE CODE NO.	DATE: JULY 07, 2005 SCALE: AS SHOWN	SHEET NO. 2 OF 2 SHEETS
		1980-00		





## MEMORANDUM

October 3, 2013

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Willie Adams  
Hon. Leslie Katz  
Hon. Mel Murphy

**FROM:** Monique Moyer *Moyer*  
Executive Director

**SUBJECT:** Request authorization to accept and expend \$2,970,000 in grant funds from the Federal Railroad Administration for the rebuilding of the Quint Street Lead Track from the Peninsula Corridor Joint Powers Board mainline to the Port of San Francisco

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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### OVERVIEW

Port of San Francisco staff has applied for and was awarded a \$2,970,000 grant from the U.S. Department of Transportation's Federal Railroad Administration's (FRA) Rail Line Relocation and Improvement (RLR) Grant Program to rebuild the Quint Street Lead Track (Project). The Quint Street Lead (Lead) is an approximately nine-tenths of a mile long freight rail spur track connecting the Peninsula corridor mainline with the Port of San Francisco cargo terminals and rail yard, located on the south side of Islais Creek, just east of Third Street. The mainline is owned and operated by the Peninsula Corridor Joint Powers Board (JPB) primarily for Caltrain commuter rail. The Lead is jointly owned by BNSF Railway and Union Pacific Railroad (UPRR). UPRR services the San Francisco rail yard under an existing agreement with JPB by running trains up the mainline during dedicated windows of operation. The Lead and the mainline are illustrated on the attached map. There are no other rail lines servicing the Port of San Francisco.

The FRA RLR Grant Program's goal is to assist projects that improve community livability and promote economic development by addressing the effects of rail traffic on safety, roadway and pedestrian traffic, overall quality of life and local area commerce. The RLR Grant Program will fund the Port of San Francisco Lead Project as well as

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projects in seven other states. The FRA received 51 applications from across the country for the RLR grants and the Port of San Francisco was one of only eight cities and ports to be awarded funding and had the top scoring project nationwide. The grant program requires a 10% match on the part of the Port and these funds have been budgeted as part of the Port's capital project budget.

The Port has two rail-served cargo terminals that will benefit from these improvements. Pier 80 is San Francisco Bay's only breakbulk cargo terminal and Pier 94/96 currently is a dry-bulk cargo terminal. The current condition of the spur track limits the speed, frequency, weight and length of trains that can use the track, causing delays. The improvements will allow freight trains to operate at higher speeds and clear the mainline more quickly, reducing delays to Muni Third Street light rail trains, Caltrain commuter trains and future high-speed rail trains.

After receiving Port Commission authorization to accept and expend the grant funds, next steps in the process will include to 1) seek Board of Supervisors' authorization to accept and expend the funds; 2) complete all necessary environmental review under the National Environmental Policy Act (NEPA), 3) conclude a track usage agreement with UPRR providing the Port of San Francisco with control over the track during the construction period; 4) enter into a grant agreement with the FRA and, if required, to indemnify the FRA for liability associated with the grant funds, as approved by the City Risk Manager and the City Attorney's Office; 5) receive authorization from the Port Commission to issue a Request for Proposals to solicit a contractor to execute the work; and 6) receive Port Commission approval to execute a contract with the contractor.

## **GENERAL OBJECTIVE**

Operations using the rail in its current condition and configuration are inefficient, limiting the speed, frequency, weight and length of trains that make use of the track, and resulting in longer-than-necessary delays at multiple street crossings. The planned rail line improvements will upgrade the track from an "Industrial" lead, with speeds limited to approximately 5 mph, to a "Class 1" track, which will allow for speeds of 10 mph. This upgrade will be achieved by: 1) removing and reconstructing approximately 4,600 feet of existing track with heavy rail and ties; 2) improving or eliminating street running conditions along Rankin Street from its dead end north to Evans Avenue; 3) improving street running conditions along Quint Street from Davidson Avenue to Third Street; and 4) confirming and replacing, as required, utility crossings. A map of the project area is attached (see Exhibit A). The scope of activities of the Project are outlined in the attached Statement of Work (see Exhibit B).

## **ENVIRONMENTAL AND CLIMATE ISSUES**

The San Francisco Planning Department issued a Categorical Exemption for the Project on April 11, 2013 to comply with the California Environmental Quality Act. The Port will be required to obtain NEPA approval prior to entering into the grant agreement with the FRA and commencing the work.

This Project will not change the current track alignment and grade which conforms to existing street grades. The current track has not been impacted by tidal action or storm flooding, however a portion of the track adjacent to Islais Creek is within the current 100



year flood elevation. With projected sea level rise, this part of the track will become more vulnerable to flooding, however given current best guidance, we do not estimate impacts to rail operations and safety until sometime after 2050. Given that raising the track is not compatible with existing street infrastructure, a global solution for this part of the City should be explored as sea level rise guidance is better understood.

### **PORt COMMISSION ACTION**

Through the attached resolution, staff seeks Port Commission authorization to accept and expend \$2,970,000 grant funds from the Federal Railroad Administration to rebuild the Quint Street Lead Track; to enter into a grant agreement with the Federal Railroad Administration and, if required, to indemnify the Federal Railroad Administration for liability associated with the grant funds, as approved by the City Risk Manager and the City Attorney's Office; and to seek Board of Supervisors' authorization to accept and expend the grant funds.

Prepared by: Jim Maloney, Maritime Marketing Manager  
For: Peter Dailey, Deputy Director, Maritime

Exhibits:

- A- Map of Project Area
- B- Statement of Work



RESOLVED, That the Port Commission authorizes the Executive Director to enter into a grant agreement with the Federal Railroad Administration and, if required, to indemnify the Federal Railroad Administration for liability associated with the grant funds, as approved by the City Risk Manager and the City Attorney's Office, subject to completion of any required environmental review under NEPA; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director to seek Board of Supervisors' authorization to accept and expend the grant funds.

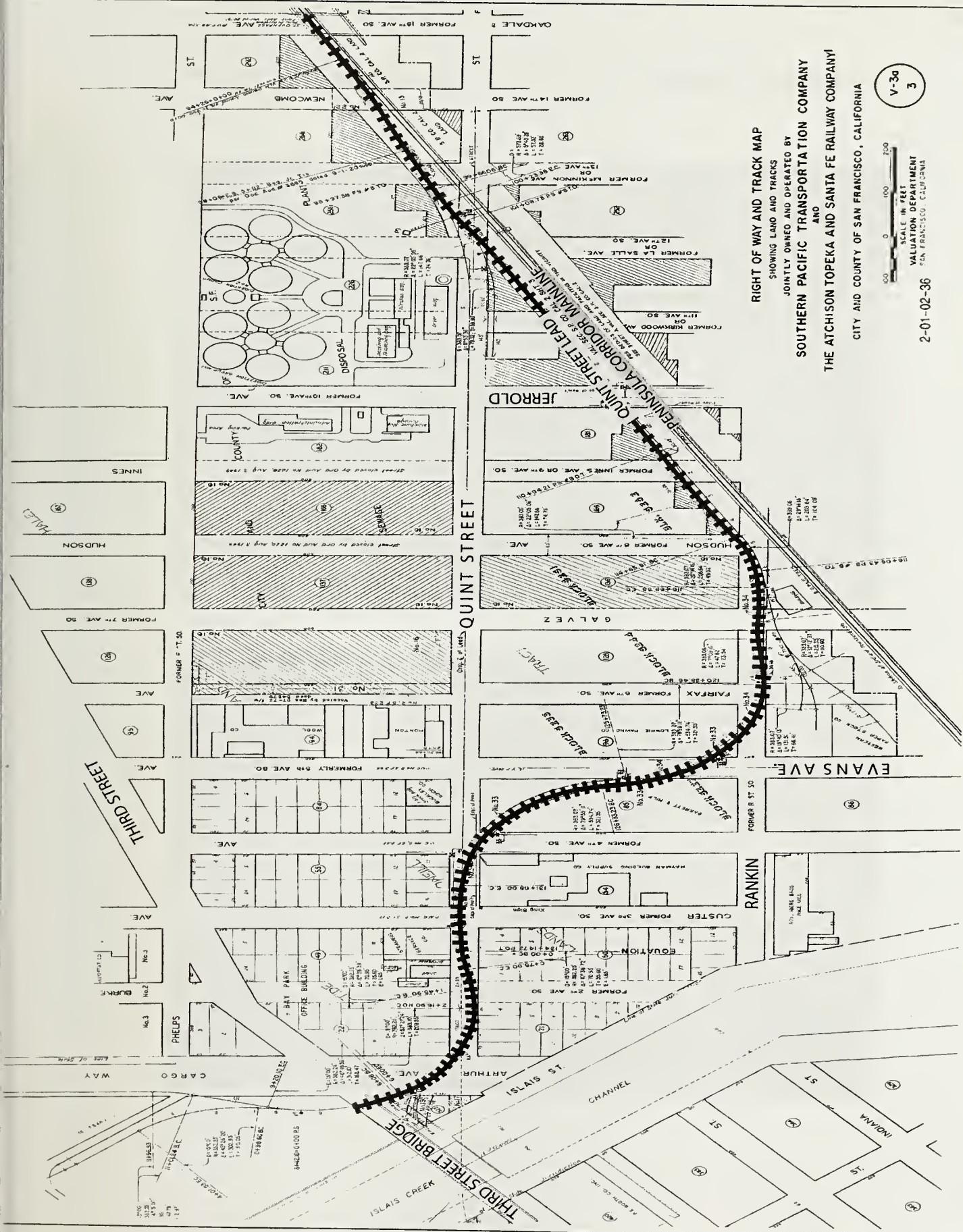
*I hereby authorize that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of October 8, 2013.*

---

Secretary



**EXHIBIT A**  
**MAP OF PROJECT AREA**







1. Project Location



2. Project Aerial Photo - Overall



## **EXHIBIT B**

### **STATEMENT OF WORK**

#### **QUINT STREET LEAD IMPROVEMENT PROJECT**

##### **I. BACKGROUND**

The Quint Street Lead (Lead) is an approximately nine-tenths of a mile long freight rail spur track connecting the mainline, owned and operated by the Peninsula Corridor Joint Powers Board (JPB) primarily for Caltrain commuter rail, with the Port of San Francisco cargo terminals and rail yard, located on the south side of Islais Creek, just east of Third Street, in San Francisco. The Lead is track jointly owned by BNSF Railway and Union Pacific (UPRR). UPRR services the Port of San Francisco rail yard under an existing agreement with JPB by running trains up the mainline during dedicated windows of operation. There are no other rail lines servicing the Port of San Francisco.

Operations using the rail in its current condition and configuration are inefficient, limiting the speed, frequency, weight and length of trains that make use of the track, and resulting in longer-than-necessary delays at multiple street crossings. The planned improvement will increase capacity of the Lead by raising the class of the track from "Industrial" to "Class 1", and would plan for future improvements of the signal system.

##### **II. GENERAL OBJECTIVE**

Improve efficiency and safety of the Quint Street Lead including raising the class of the track from "Industrial" to "Class 1", reducing delays on City streets, and reducing risk of delays on the JPB mainline to Caltrain commuter rail service.

##### **III. SCOPE OF ACTIVITIES**

###### **a. Geographical and Physical Boundaries:**

The Lead is approximately nine-tenths of a mile in length, beginning at the existing switch on the JPB mainline, approximately 100 feet north of Oakdale Avenue Overcrossing, and ending on the east side of the Third Street Grade Crossing, where it enters Port property. From the switch, the track crosses Quint Street at grade, Jerrold Avenue at grade, enters and travels along Rankin Street (where Rankin dead ends at the mainline) for approximately 800 feet, crosses Evans Avenue at grade, travels 450 feet along a dedicated city block fenced right-of-way (ROW), crosses Davidson Street at grade, and enters Quint Street and continues down the center of the street for approximately 850 feet to Arthur Avenue before crossing Third Street at grade. The typical ROW is 30 feet wide. Where the Lead is in the street, the Project may impact the entire street section from curb to curb.

###### **b. Description of Work:**

The planned rail line improvements will upgrade the track from an "Industrial" lead, with speeds limited to approximately 5 mph, to a "Class 1" track, which will allow for speeds of 10 mph. This



upgrade will be achieved by: 1) removing and reconstructing approximately 3,300 feet of existing track with heavy rail and ties (from just south of Jerrold Ave to west of Third Street); 2) improving or eliminating street running conditions along Rankin Street from dead end to Evans Avenue; 3) improving street running conditions along Quint Street from Davidson Avenue to Third Street; and 4) confirming and replacing, as required, utility crossings for Cooper E80 loading.

Due to the alignment of the track running through established roadways, adjacent to businesses, fences on property lines and other miscellaneous infrastructure, the Port proposes to reconstruct the track in its current alignment. Lead track removal and reconstruction is expected to total 3,300 linear feet and include approximately 1,200 feet of ballast track section, 250 feet of grade crossing section, and 1,850 feet of street running section. Reconstruction will include: new 136-pound continuous welded rail (CWR); new concrete ties at 2-foot centers with fasteners as required; 50% replacement of existing ballast rock; removal and repaving of approximately 100,000 square feet of existing asphalt; and removal and off-haul of all existing rail, steel other track material (OTM), wood ties, turnout components and broken asphalt, all for legal disposal and salvage.

UPRR and BNSF jointly own the lead. The Port will negotiate a track usage agreement (Track Agreement) with UPRR for purposes of construction of the Project. Ownership, maintenance, and operation of the Lead will continue to reside with UPRR / BNSF.

## **Project Phases and Tasks**

Phase 1 Preliminary Design: Complete investigations, conceptual engineering and cost estimates as required to define the scope of the Project.

1. Project Scope - Draft
2. Initial Study
3. Project Scope – Final
4. 10% Concept Plan

Phase 2 Entitlements: Negotiate and secure all required approvals for the Project. All approvals must be in place prior to advertising for Construction Bid.

1. UPRR Track Agreement
2. Federal Railroad Administration (FRA)
3. California Public Utilities Commission (CPUC) – Grade crossings
4. NEPA (Categorical Exclusion, complete prior to 30% design and execution of grant agreement)
5. CEQA (Categorical Exemption, issued April 11, 2013)
6. SF Department of Public Works – Encroachment Permit
7. SF Port Commission – Approval of Track Agreement, Design and Authorization to Advertise for Bid

Phase 3 Final Design: All work necessary to complete Engineering, Plans, Specifications, and Cost Estimating.

1. 30% Plans – UPRR Submittal
2. 65% Plans – Internal Review Only
3. Complete Plans – UPRR Submittal
4. Exhibit “A” – UPRR Submittal
5. Final Plans - Bid



Phase 4 Bid/Award: Advertise and Award the Construction Contract

1. Advertise
2. Award

Phase 5 Construction: Construction of the Project

1. Notice to Proceed
2. Substantial Completion
3. Final Completion

**c. Deliverables**

The deliverables associated with the FRA grant agreement are listed below. The Port will achieve these deliverables to be authorized for funding of Project components and for the Project to be considered complete.

#	Deliverable Name
1	10% Concept Plan (UPRR Submittal)
2	SF Port Commission Resolution – Approval of UPRR Track Agreement for Construction
3	SF Port Commission Resolution – Approval and Advertise for Bid (includes all Entitlements)
4	Complete Plans (UPRR Submittal)
5	Final Plans - Bid
6	SF Port Commission Resolution – Award Construction Contract
7	Construction – Monthly Status Report
8	Construction – Final Completion Report

**IV. PROJECT SCHEDULE**

The period of performance for all work will be approximately 32 months, from April 2012 to January 2015.

Preliminary Design.....	thru July, 2013
Entitlements.....	thru November, 2013
Final Design.....	August 2013 to January 2014
Bid/Award.....	February 2014 to May 2014
Construction.....	June 2014 to January 2015

**V. PROJECT ESTIMATE/BUDGET**

The total estimated cost of the Project is \$3,300,000, for which the FRA grant will contribute 90% of the total cost, not to exceed \$2,970,000. Any additional expense required beyond that provided in this grant to complete the Project shall be borne by the Port.



a. Project Cost Details

Project Cost by Task		
Task #	Major Task Name	Total Cost
1.0	Preliminary Design	\$ 70,000
2.0	Entitlements	\$ 50,000
3.0	Final Design	\$ 230,000
4.0	Bid/Award	\$ 30,000
5.0	Construction	\$ 2,920,000
<b>TOTAL</b>		<b>\$3,300,000</b>





## MEMORANDUM

October 3, 2013

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Willie Adams  
Hon. Leslie Katz  
Hon. Mel Murphy

**FROM:** Monique Moyer *Moyer*  
Executive Director

**SUBJECT:** Informational Presentation on the Orton Development, Inc. proposed project for the lease and rehabilitation of the 20<sup>th</sup> Street Historic Buildings on or near 20<sup>th</sup> and Illinois Streets at Pier 70

**DIRECTOR'S RECOMMENDATION:** Informational Only – No Action Required

### **EXECUTIVE SUMMARY**

This memorandum describes the status of the proposed development agreement with Orton Development Inc. ("ODI") to lease, rehabilitate and operate six historic buildings (the "Project") included in the Pier 70 Master Plan area and shown as the Historic Core on Exhibit A. On October 9, 2012, the Port Commission endorsed the Term Sheet establishing the conceptual agreement by the parties of the terms of a transaction to realize the Project<sup>1</sup>. Subsequently on December 4, 2012, the Board of Supervisors also endorsed the term sheet and conceptual project plans. Since then ODI and Port staff have been working to realize the project approved in concept.

The Project includes 267,000 square feet of existing buildings. The proposed project would add up to approximately 70,000 square feet of new space, primarily in mezzanines. Once rehabilitated, these historic office and industrial buildings would be used for a range of businesses, including light industrial, technology, life science, office, artisan/artist studios and showrooms, and restaurant uses. The

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<sup>1</sup> Background on Term Sheet as well as the land use planning, competitive solicitation, and ENA authorization prior to the Term Sheet with ODI, as discussed in Item 9C on the October 9, 2012 agenda: <http://www.sfport.com/index.aspx?page=2132>



proposed project would also create an indoor lobby/atrium in Building 113, and an outdoor courtyard/venue, both of which would be made accessible to the public.

Today's presentation will brief the Port Commission and seek input on the following project aspects.

- Schematic designs and program for the project
- Updated project costs and funding sources
- Local contracting and hiring commitments
- Community outreach underway

Project approval is scheduled for early 2014 after completion of all needed reviews.

### **PROJECT DESCRIPTION/SCHEMATIC DESIGNS**

ODI's due-diligence and market testing have refined the Project but it remains conceptually the same as the project approved by the Port Commission and the Board of Supervisors in late 2012. Exhibit B is the narrative project description informing the CEQA analysis currently underway.

The Project consists of a collection of six major buildings, improvements to street networks surrounding the buildings and an exterior courtyard. The Project will save the buildings of the Pier 70 Historic Core and integrate the site into the local neighborhood. 20th Street will be designed to accommodate safe pedestrian thoroughfare with links to Crane Cove Park. Both the atrium lobby of Building 113 and exterior courtyard will host frequent activities and events open to the public. Buildings will generally return to the modern equivalent of their historic uses; former office buildings will return to office use with the technological capabilities required for modern businesses, while historic industrial buildings will return to light industrial use with accessory office and retail uses. All work will be consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties ("Secretary Standards").

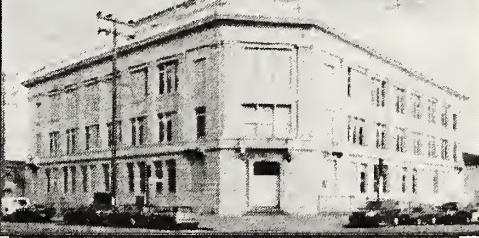
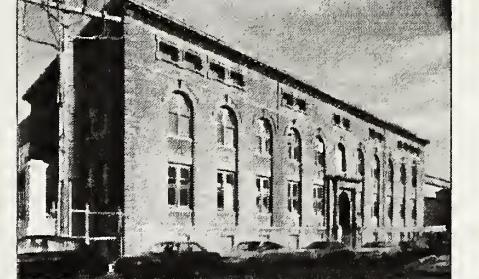
Table 1 summarizes the Project by use and Table 2 provides a description of the planned rehabilitation of each structure. At the October 8, 2013 Port Commission meeting, the ODI team will present the current design concepts for the project.

**Table 1 – Project Description**

	Buildings	Existing	New	Removed	Total
Office	101, 104	107,070	900	(522)	107,448
Industrial	113/114 115/116, 14	139,889	65,585	(4,548)	200,926
Commercial	102	11,266			11,266
Atrium	113	11,593			11,593
Total		269,818	66,485	(5,070)	331,233



**Table 2 – Building Rehabilitation Plans**

<p><b>Building 113/114</b></p> <p>The Union Iron Works Machine Shop consists of two masonry buildings built from 1885-1888, later joined by a concrete connector in 1914. The brick sections of Building 113 will be split into two wings and be used as light industrial/flex space with ancillary office, showroom, and retail uses, while the historic foundry (Building 114) will remain a separate space for light manufacturing with ancillary office and retail. The center connector building will become a publically accessible lobby and walkway to an exterior courtyard.</p>	
<p><b>Buildings 115/116</b></p> <p>The Union Iron Works Foundry &amp; Warehouse was constructed in 1916/1917 and comprises a three-bay reinforced concrete structure. The spaces will return to industrial use as light manufacturing with ancillary retail and office.</p>	
<p><b>Building 101</b></p> <p>Building 101, the 61,311 square foot former Bethlehem Steel Office building, will return to office use on the top four floors. The historic commissary on the park level floor is expected to return to industrial food production use or ancillary office uses.</p>	
<p><b>Building 102</b></p> <p>Building 102, the 11,266 square foot former Compressor House, currently houses BAE Ship Repair's electrical distribution.</p> <p>The Port has the responsibility to remove the electrical facilities, following that ODI will redevelop the building as a restaurant.</p>	
<p><b>Building 104</b></p> <p>The 45,237 square foot former Union Ironworks office building was built in 1896 and will return to single tenant office or medical office use.</p>	
<p><b>Building 14</b></p> <p>Building 14 is a 16,315 square foot double-gable metal warehouse constructed in 1944. The space will return to industrial use as a warehouse with ancillary office space.</p>	



## **PROJECT STATUS**

Since the Port Commission and Board of Supervisors endorsed the Term Sheet with ODI in late 2012, the following actions have occurred:

- Significant investigations of the buildings to refine costs and development program including developing schematic designs for all the buildings
- Marketing to tenants (ODI has received strong interest, but cannot disclose its subtenants until it is further in its approval process with the Port and the City for ODI's lease.)
- Infrastructure assessments to confirm the buildings can be served from the existing system
- Identification of the City's Seismic Safety Loan Program as a capital source (discussed later)
- ODI working to secure lenders and tax credit investors and refining their development pro-forma
- Refining of the site plans including adjustments needed to the street network
- Submitting a project description to the Planning Department to secure the California Environmental Quality Act (CEQA) review required. CEQA analysis is underway.
- Development of the schematic designs and use program presented in this report.

The next steps include:

- Seeking policymaker and community input on the design as refined.
- Negotiating the lease and development agreement and bringing to the Port Commission and Board of Supervisors for approval.
- Reviews by the State Office of Historic Preservation and State Lands Commission to assure the project meets their requirements.
- Completing CEQA analysis prior to the Port Commission approval of the lease (targeted for early 2014)
- Board of Supervisors approval of the transaction and any related actions, following the Port Commission approvals

ODI has commenced working with the Port's engineering division and hopes to advance the building permit review in parallel with the other reviews underway. This can allow construction to begin quickly after the approvals of the transaction by the Port Commission and Board of Supervisors.

## **PROJECTED SOURCES AND USE OF FUNDS**

Based on further investigation and engineering analysis, ODI has refined the Project cost estimates since those used to underwrite the Term Sheet and anticipates total project cost of \$74 million (an increase from the prior \$58 million estimate). Hard construction costs have increased due to three factors:

- 1) addition of \$1.8 M of costs for the plaza and sitework,
- 2) additional building repair complexity after further due diligence and analysis, and
- 3) rising construction costs in the market.



Even with the increased costs, ODI anticipates that the combination of strong revenues and pre-leasing a significant portion of the Project will allow them to secure favorable debt terms, allowing the Project to remain feasible with the higher costs.

Table 3 below shows the sources and uses of funds for the ODI project. Notable is the addition the City's Seismic Safety Loan Program, discussed below as a source, and that, as the Port has received a State grant for this project, the Port contribution is now \$1.75 million. At this time, ODI is arranging its bank and other financing so the table combines debt and equity until debt terms are refined.

**Table 3**

**Sources and Uses**

**20th Street Historic Buildings Project**

<b>Sources</b>	<b>\$ Millions</b>
Port Capital Funds	1.8
Seismic Safety Loan	20.2
Historic Tax Credit Equity	14.9
Private Debt & Equity	37.8
Total Sources	\$74.6

**Uses**

**Hard Costs**

Building 101	10.3
Building 102	2.5
Building 104	7.7
Building 113	20.0
Building 114	4.2
Building 115	2.4
Building 116	4.7
Building 14	2.3
Site/Plaza	1.9
Total Hard Costs	56.1
Soft Costs	11.5
Financing Costs	6.2
Deferred Port Transaction Costs	0.8
Total Uses	\$74.6

**Notes:**

Source ODI August 30, 2013 cost estimate and pro-forma. Values continually being refined.

Port funds include a State Grant of \$250,000

Construction costs do not include tenant specific improvements.



Prior to requesting lease approval, Staff will provide an analysis of the anticipated Port rent with the new costs and financing sources. The Term Sheet obligates ODI to rehabilitate and operate these buildings, including securing needed investment, in exchange for a 66-year lease. Revenues from the Project will first fund operating costs, then debt service and, until ODI's equity is recovered, ODI will receive a 14% return (on a simple interest basis) on its investment. ODI and the Port will share equally in net cash flow after ODI's equity is repaid. An annual guaranteed base rent of \$200,000 (escalated to reflect inflation) is due 20 years after commencement of the lease. Although this structure does not generate significant rent to the Port, it achieves the primary project objective of rehabilitating these buildings as soon as possible and provision of new workplaces for 500 employees.

### **Seismic Safety Loan Program**

Since the endorsement of the Term Sheet, the Port and ODI identified an additional funding source for the project, the Seismic Safety Loan Program (SSLP) administered by the Mayor's Office of Housing (MOH). In November 1992, San Francisco voters approved a \$350 million general obligation (GO) bond measure to provide loans to seismically retro-fit unreinforced masonry buildings (UMBs) and capacity remains in this program for additional loans.<sup>2</sup> Buildings 104, 113, and 114 are UMBs. In July 2013, the City's Capital Planning Committee reviewed the use of this program for the Project, and offered preliminary support to the GO Bond issuance needed to fund a \$20 - \$26 million loan for the Project, subject to required loan underwriting.

To meet the policy objective of addressing seismic risks, the SSLP program was designed to provide financing beyond that available from private lenders. An SSLP loan differs from traditional financing in three ways:

- It is a hybrid of a construction and permanent loan providing disbursements during the construction period and repayment over a 20 year term;
- It can be subordinated to the first mortgage;
- The SSLP underwriting criteria of 1.05 times debt coverage ratio and 90% loan to value allow a larger loan with greater leverage; and
- It imposes a number of City requirements.

ODI is anticipating net SSLP loan funds of \$20 million. The current estimated interest rate is 7.5% assuming a taxable GO bond issue at 6.5%. The use of this loan will result in payments to the City greater than the costs to re-pay the bonds, avoiding any impact on the General Fund. The loan will be secured by ODI's leasehold interest with the Port. The SSLP loan would provide a critical portion of the funding since this loan can provide

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<sup>2</sup> Of the \$350 million authorized in 1992, \$150 million was set aside for buildings providing affordable housing, \$60 million of which was made available as deferred, 55-year loans. The remaining \$200 million is to fund the seismic retrofit of all other buildings. The loan program has been almost exclusively used for affordable housing loans funded by two bond series: a 1992 bond funding \$17 million of affordable housing and a 2007 bond funding \$30 million of affordable housing loans and \$259,000 of market rate loans. Currently, \$4.6 million remains uncommitted from the 2007 Board of Supervisors authority for bonds to support this program with a mechanism in place to allow bonds to be issued as needed to fund loan commitments.



construction financing for the seismic components, replacing costly developer equity. Prior to MOH entering into a loan agreement with ODI and the City selling new General Obligation bonds, the following actions would need to occur:

- 1) SSLP loan committee review and consideration of the loan application to determine the application meets statutory underwriting requirements
- 2) Capital Planning Committee approval of the bond issuance
- 3) CEQA clearance of the project
- 4) Port Commission and the Board of Supervisors review and approval of the lease
- 5) Board of Supervisors review and approval of the use of the SSLP and the required bond indebtedness
- 6) ODI will meet all development agreement requirements and loan committee conditions, and enter into the lease

### **Related Public Facilities/Infrastructure Financing District**

As the Port and ODI have refined the Project and negotiated business terms, it became clear that there are related facility upgrades that need to occur but are not ODI project costs. Examples of these costs include:

- removal of the electrical equipment from Building 102,
- shoring or removal of Building 40 (adjacent to the ODI Project to the north)
- public realm upgrades to sidewalks and roadways near the Project
- relocation of the shipyard entry gate, and
- paving improvements for surface parking.

Port Staff are working to identify the range of related projects and their costs. Some of these upgrades will be required as part of the Project agreements. Others may occur with the later redevelopment of Pier 70.

Two funding sources are under discussion:

- 1) Including in the lease terms, provision for ODI to undertake related construction efforts outside of their premises, at the Port's option, and be repaid either by credit against deferred transaction costs or other terms to be negotiated.
- 2) Establishment of an infrastructure financing district (IFD) for the historic core using the authorities available to the Port. In April 2013, the Board of Supervisors adopted a policy for IFD use on Port property.

Likely both techniques will be appropriate. Since the Project is relatively small, generating an estimated \$340,000 annually in property taxes, the IFD funds could be used to repay other sources of funds or for upgrades that can be deferred until after the Project is established and generating tax increment.

### **LOCAL CONTRACTING AND HIRING COMMITMENTS**

ODI is working with the City's CityBuild program and the Contract Management Division to include local businesses and local workers in this project. The Seismic Safety Loan Program requires 25% of total worker hours be completed by economically disadvantaged workers earning 50% or less of the local median income; this requirement will apply for the estimated \$20 million of project costs funded through the



loan. ODI has agreed to use local workers for 25% of total worker hours on the project as a whole.

The SSLP requires the developer to seek at least one bid for the structural work from a Local Business Enterprise (LBE), certified as such by the Human Rights Commission. However the loan program does not require a specific target for LBE participation in the project. Contract Management Division reviewed the types of construction work needed for this specialized project to structure bid packages for LBE involvement. After that review, CMD and ODI agreed to LBEs performing 17% of the project work.

The lease will require ODI and its subtenants to participate in the City's First Source Hiring Program (San Francisco Administrative Code Sections 83.1 et seq.) which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry-level positions.

### **COMMUNITY OUTREACH**

On September 18, 2013, ODI presented its schematic designs to the Central Waterfront Advisory Group. CWAG was supportive of the project direction and raised issues concerning how the Project will integrate with the later, larger, development project led by Forest City and how roadway networks will need to be modified for the Project. Staff explained that the Port, Forest City, and ODI are collaborating to integrate the ODI project into Forest City's "Phase 0" plans, the Ports existing tenants, and to have the ODI and Forest City projects complement each other in the future. As discussed above, this will require some near term and longer term adjustments to the public realm surrounding the ODI project. This Fall, ODI will seek input from the Dogpatch Neighborhood Association, the Potrero Boosters, and San Francisco Architectural Heritage.

### **NEXT STEPS**

The Port and ODI are working with the City's Planning Department to evaluate the Project and prepare the CEQA documentation needed to support Port Commission lease and development agreement approval anticipated for early in 2014. The Port Staff and consultants are preparing the financial and other analyses necessary to negotiate and obtain approval for the LDDA and Lease for the Project by the Port Commission and the Board of Supervisors. Throughout this process, there will be numerous opportunities for public comment and review of the proposed project. .

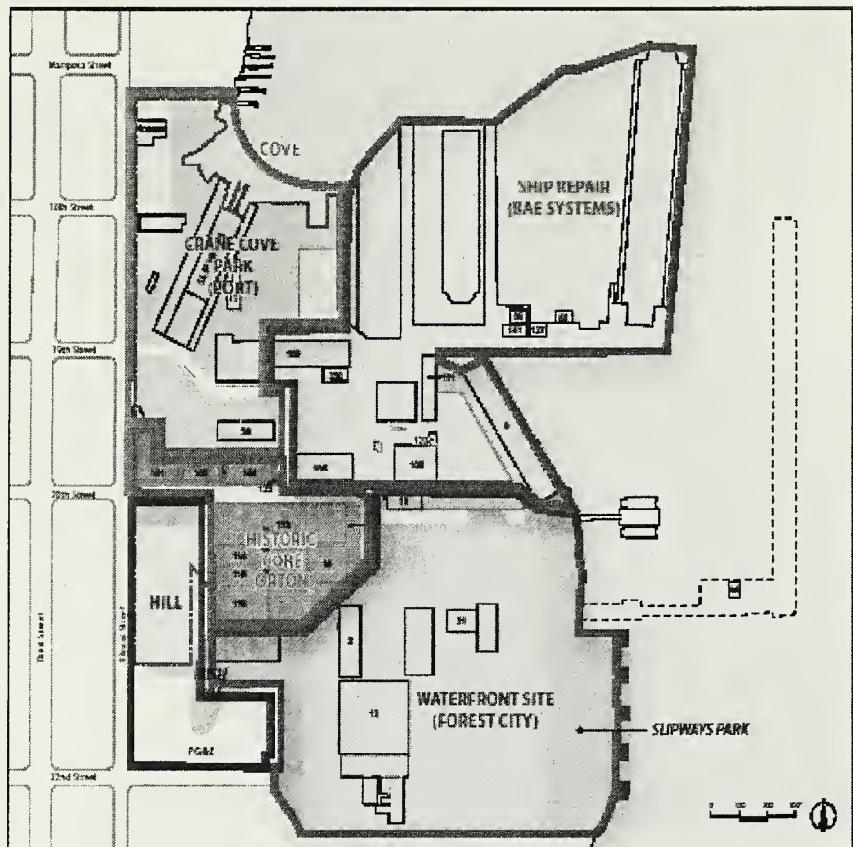
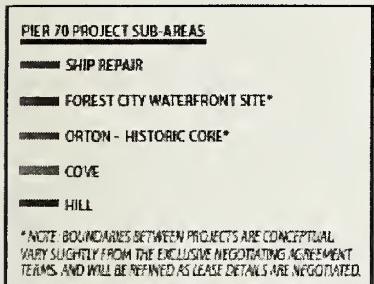
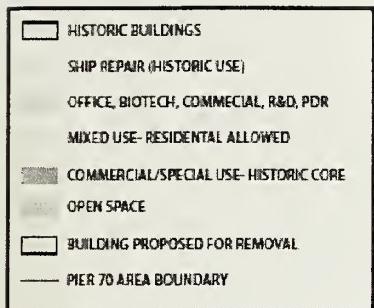
Prepared by:	Kathleen Diohep, Manager Public/Private Development Projects
Through:	Jonathan Stern, Assistant Deputy Director Waterfront Development
For:	Byron Rhett, Deputy Director Planning & Development

### **Exhibits**

- A. Location Map
- B. Project Description



# EXHIBIT A: PIER 70 PROJECTS



SEPTEMBER 2012

GADS-Southern Waterfront\Pier 70\Master Plan\Graphics\April 2010 Plan Maps\PDF Maps (for print)\p70\_Exhibit-A-v.1\_9-20.pdf



## 20<sup>th</sup> Street Historic Buildings Project Description

### **Overview**

The proposed project involves the repair, rehabilitation and seismic strengthening of the 20<sup>th</sup> Street Historic Buildings, a set of 8 large historic buildings and two smaller structures located on or near 20<sup>th</sup> Street at Pier 70 owned by the Port of San Francisco. The buildings are historic resources, some dating to the 1880's, that are in dire physical condition. A substantial investment is required to return the buildings to active use. The purpose of the proposed project is to rehabilitate the 20<sup>th</sup> Street Historic Buildings and restore them once again as a vibrant, integral part of the surrounding community, consistent with the Eastern Neighborhoods Plan, and to respond to public objectives expressed through the Waterfront Land Use Plan and the Pier 70 Preferred Master Plan. Through a competitive process, the Port selected Orton Development, Inc. (ODI), as its partner to rehabilitate the buildings subject to a development agreement and long-term lease.<sup>1</sup>

The buildings currently include approximately 267,000 GSF of space. The proposed project would add up to approximately 70,000 GSF of new space, primarily in mezzanines. Once rehabilitated, these historic office and industrial buildings would be used for a range of businesses, including light industrial, technology, life science, office, artisan/ artist studios and showrooms, and restaurant uses. The proposed project would also create an indoor lobby/atrium in Building 113, and an outdoor courtyard/venue, both of which would be made accessible to the public. Finally, the proposed project would demolish approximately 1,500 GSF of existing structures, including two small structures known as Buildings 23 and 24 appended to the eastern side of Building 113.

In general, the proposed project would rehabilitate the 20<sup>th</sup> Street Historic Buildings to satisfy seismic, structural, and code requirements, implement security measures to combat an atmosphere of neglect and criminal opportunity, and abate hazardous environmental conditions. The project would meet the Secretary of the Interior Standards for Treatment of Historic Buildings (the "Secretary's Standards"), building and other codes, and all other applicable requirements.

### **Pier 70 Site History**

Pier 70 is a 69-acre historic shipyard property situated along San Francisco's Central Waterfront, just south of Mission Bay. It is bounded by Mariposa Street to the north, Illinois Street to the west, 22nd Street to the south, and the San Francisco Bay to the east. Ships built at Pier 70 served the United States military from the Spanish-American War in the late 1800's through the two World Wars and into the 1970's. Previously known as the Union Iron Works ("UIW"), the Bethlehem Steel Shipyard, and the San Francisco Yard, Pier 70 was a 19th century ship building and repair facility, important to the nation's maritime history.

In the late 19th century, the UIW shipyard operated with the 1885-86 UIW Machine Shop (Building 113), foundry (Building 114), plate shop, pattern shop, smith shops, and slipways. In 1896, the UIW Office Building was added. Just preceding World War I, Bethlehem Steel retained two renowned San Francisco architects, Frederick H. Meyer and Charles Peter Weeks, to design grand buildings in the Beaux Arts style which was fashionable during this period of time as part of the City Beautiful movement. Buildings erected in this period included the 1912 Power House (Building 102) and the 1917 Main Office/Administration Building (Building 101). When completed, these buildings created a grand formal entrance to the yard at the corner of 20<sup>th</sup> and Illinois Streets. Similar expansion occurred to the south of Buildings 113/114 with the addition of 115 and 116 in 1915-1917 to provide a new foundry and mold room. World War II led to further rapid growth, including the construction of Building 14 as a warehouse.

Pier 70 is the most intact historic maritime industrial complex west of the Mississippi River and is significant for its role in the industrialization of the United States. Now, the Pier 70 buildings are deteriorated and in dire need of repair. The Port has undertaken extensive planning and sought public and private investment to address the substantial capital needs of this portion of the Port. A comprehensive overview of the Port's Pier 70 initiatives is available in a staff memorandum available as Item 9b at this link: <http://sfport.com/index.aspx?page=2128>

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<sup>1</sup> The Board of Supervisors and the Port Commission approved the term sheet for the proposed project in late 2012. Background is available as Item 9C on this agenda:  
<http://www.sfport.com/index.aspx?page=2132>



## **Project Site Resources and Uses**

The buildings proposed for rehabilitation are central to the future potential Pier 70 National Register Historic District. The Port has prepared and submitted a draft National Register nomination for Pier 70 to the State Historical Resources Commission for consideration of Pier 70 as a district for inclusion in the National Register of Historic Places. The buildings would be rehabilitated consistent with the Secretary's Standards. It is anticipated that the proposed project would utilize Federal Historic Rehabilitation Tax Credits as a critical component of its financing. The tax credit process includes project design review by both the California State Office of Historic Preservation ("SHPO") and the U.S. National Park Service ("NPS") to ensure that the rehabilitation meets the Secretary's Standards. NPS/SHPO would retain oversight during the tax credit vesting period.

The proposed project includes eight buildings,<sup>2</sup> associated accessory structures (including Buildings 122 and 123) and yard areas adjacent to the buildings, a multi-use plaza, [adjustments to the existing street network to provide access,] and the upgrading of existing surface parking lots within the ODI leasehold and on adjacent land owned by the Port. Table A contains a summary of the proposed project.

Different uses are proposed North and South of 20<sup>th</sup> Street in keeping with the historic pattern of office uses on the North and industrial uses on the South. The proposed uses are similar to the historic uses of the buildings and include office and light industrial uses (no heavy industrial). Building repairs and alterations would address building deficiencies and meet modern usage standards. New floor area generally would be limited to that required for seismic stability or life-safety systems. It is anticipated that future tenants may apply for building permits to construct tenant improvements and occupy the additional floor area. Structural mezzanine elements, for example, are proposed to seismically upgrade some of the buildings. The proposed project would repair existing roofing, repair existing masonry surfaces, repair or replace in kind when missing or irreparable deteriorated windows, make existing toilet rooms operational, and construct accessible bathrooms. In addition, the proposed project would install new concrete slab floors in the industrial buildings, create accessible entries to each space, and stub in new electrical, HVAC, fire safety, phone, data, water, sewer and gas utilities that would be upgraded to meet applicable code requirements. Existing infrastructure systems would serve the buildings, with new laterals as required. To the extent feasible, the proposed project would include measures to reduce stormwater impacts on the City's combined sewer system.

Initial rehabilitation would bring the buildings close to "cold shell" condition and include security, abatement, seismic upgrades, and new infrastructure. Subsequent work would include finalizing the shell (primarily doors, windows, and remaining ADA and life safety), elevators and further build-out (if any) of mezzanine space in connection with tenant improvements, and occupancy. The project drawings included with this application reflect the cold shell stage of improvements and the improvements anticipated for future tenant use. Future tenant improvement proposals would receive further review by the project sponsor's historic resources consultant, Port Staff, SHPO, NPS, and others prior to issuance of a building permit for that work to ensure that all work meets the Secretary's Standards.

Like other buildings of their era, the 20<sup>th</sup> Street Historic Buildings contain hazardous building materials such as asbestos-containing materials, lead-based paint, and potentially present other risks such as PCB-containing electrical equipment and mercury-containing light fixture. These hazards would be abated as part of the proposed project.

The proposed project would not involve any new household population and would account for approximately 600 jobs in the Central Waterfront.

Circulation and parking would be addressed, in part, by re-aligning existing streets. Existing on-street parking would remain. Approximately 65 off-street parking spaces would be included within the ODI leasehold, especially for accessible use, and approximately 205 off-street parking spaces would be added on land owned by the Port in the vicinity of the proposed project. Additional parking demand would be met within the greater Pier 70 area; the locations of those spaces would vary as build-out occurs over time. Loading for proposed uses is discussed below.

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<sup>2</sup> Buildings 101, 102, 104, 113, 114, 115, 116, and 14. Note that the Port often refers to Buildings 113/114 and 115/116 as pairs because they share common walls.



**South of 20<sup>th</sup> Street Union Iron Works Machine Shop and Foundry (Buildings 113/114/115/116 and Building 14)**

**Existing Buildings**

The Union Iron Works Machine Shop (Building 113/114) stands on the south side of 20<sup>th</sup> Street just east of Illinois Street and is one of the most valuable and most vulnerable historic resources on the site. The two-block long building consists of two unreinforced brick structures (built in 1885 and 1886) that were joined in 1914 by a reinforced concrete connector building. It has building-length skylights and row-upon-row of high arched windows down the entire façade. The building contains about 93,000 GSF of floor space, is 492 feet long by 175 feet wide, and stands about 62 feet tall. Buildings 115 and 116 abut Building 113/114, were constructed in 1916-1917, and include approximately 34,000 GSF of space with a 57 foot height with unusual windows and monitor skylights. Building 14 is a basic heavy warehouse, dated to 1941, with approximately 16,000 GSF of space and a 66 foot height.

**Proposed Uses**

Building 113 and surrounding warehouses (Buildings 114, 115, 116 and 14) would return to industrial and warehouse use as potential food, technology, life science, biotech, education and arts production centers, mirroring the high-quality “maker” type businesses currently thriving in the Dogpatch neighborhood, with ancillary office, showroom, and retail. As large spaces, these buildings can accommodate a wide range of businesses that combine buildings, yard, industrial features, such as loading, traditional infrastructure, and data capabilities required for modern businesses. Such flexible hybrid-use space – a model ODI calls the “New American Workplace” – consolidates all modern business activities (design, prototyping, manufacturing, wholesaling, office, and sales/retail) under one roof. These highly useful spaces would create a community of resources and emphasize wellness, collaboration, and synergies in areas such as transportation, fitness, and public engagement.

**Rehabilitation Concept: Union Iron Works Machine Shop – Buildings 113/114**

Currently Building 113/114, an unreinforced masonry building, is red-tagged and subject to an engineer’s advisory of imminent collapse. The proposed project would include abatement, demolition or relocation of metal additions to the building on the western and southern facades, roof repair or replacement, a new steel seismic system, tying the brick perimeter into the steel, running below-grade infrastructure, and finally pouring concrete slabs to seismically stabilize and strengthen the building. Two minor buildings, Buildings 23 and 24, totaling about 1,500 GSF, which are appendages to Building 113 on its eastern face would be demolished. Although both buildings date from the period of significance for the proposed historic district, and Building 24 is considered a contributor to the proposed historic district, their removal is appropriate to facilitate the overall rehabilitation and would not cause a substantial adverse change in the significance of the proposed district. Once a long-term sublease has been negotiated, the envelope of Building 113/114 would be completed, specific plumbing, electrical, and HVAC finish scopes would be finalized and installed, and finishes (paint, carpet, and other architectural complements) would be determined, approved, and constructed.

Existing load-bearing masonry walls and piers lack steel reinforcement and do not have sufficient structural capacity to meet any seismic code requirements due to severe deterioration. Structural strengthening would essentially provide a complete new steel structural system to pick up the roof load, with a horizontal diaphragm system to transfer lateral loads. The entire system would lie within the envelope of the existing building. The vulnerable perimeter URM walls would change from a structural element to a cladding tied into the new structural system. The existing 17-foot high mezzanine at the northwest corner would be continued along the remainder of the north interior wall, as well as the east and south building interior to provide adequate lateral load resistance. An additional upper horizontal structure would be added at approximately 35 feet high, to complete the necessary lateral load resistance. The structural system would maintain the character of the historic volume of the interior and views through the building via an open view corridor through the length of the building. Certain wood absorbers, installed as rafters to dampen the crane vibration after the original construction, that are negatively affecting the building would also be removed so that the original roof trusses can be repaired and tied into the new vertical steel.



Two of the three large cranes existing within the buildings would be positioned to define a center atrium. Below these, new glass and steel walls would be built to the height of the first mezzanine, to partition east and west units in Building 113. At the street level, a new concrete slab would provide a new floor, cap below-ground contaminants, and provide a required lateral diaphragm. The masonry walls and wood windows would be repaired, retaining as much of the original historic fabric as possible, and replacing in kind materials when missing or irreparable.

The central atrium, defined by the two relocated 20-ton cranes and the glass and steel demising walls, would separate the east and west portions of the building, but allow visibility of the full length and height of the building. The atrium would be a publicly accessible space, connecting 20<sup>th</sup> Street and the plaza formed between Building 113 on the north, Buildings 114 and 115/116 on the west, and Building 14 on the east.

#### Rehabilitation Concept: Buildings 115/116 and 14

Rehabilitation of these buildings would largely follow the same work plan as Building 113/114, without requiring brick repair. The buildings would retain their existing form including full heights, mullions and window lines. Current and new openings to the east and west would accommodate custom exiting and loading, and would provide complementary window lines. Existing windows and skylights would be repaired or replaced in kind, new windows and skylights would be selectively added, roofs would be repaired or replaced, exterior concrete facades that are spalling would be patched, and bent exterior metal siding would be repaired or replaced. A new concrete slab floor would cap below-ground contaminants, provide ADA accessibility, and facilitate truck loading. Seismic bracing will be installed with either a moment frame or brace frame system and would not materially obscure historic windows or door openings. Existing overhead cranes would be anchored in place.

#### Plaza

Buildings 113/114/115/116 and 14 frame an approximately 45,000 square foot courtyard area that would become a new open space accessible from 20<sup>th</sup> Street through the lobby/atrium in Building 113 and via Louisiana Street. The courtyard grade would match the grade of the new slabs in each building, providing a cap for below-ground contaminants, ADA accessibility, and viable loading.

The courtyard would be adjacent to tenant yard areas, which would extend twenty-five feet from the face of each building. Tenant yards would be used for loading and other commercial activities. This multi-use plaza would support business as well as public use and enjoyment at differing times of the day, similar to piazzas in Europe. Activities would range from loading and unloading, to making, exhibiting, performing, and gathering, subject to the rules and regulations of the Port and City.

#### Parking, Loading and Circulation: 20<sup>th</sup>, Michigan and Louisiana Streets

As appropriate, the Port will repair 20<sup>th</sup> Street, including sidewalk and other repairs as warranted. Louisiana Street lies to the east of Building 113, and currently exists as an access way bounded by fences. As part of the project, it would be widened with the western side supporting loading for the proposed project and a curb and a sidewalk would be added to the western edge. This would also allow the required truck access to the plaza for loading. The concrete slab on the western side of Building 113 would be modified to serve as a loading dock.

A portion of Michigan Street and the area to the southeast of the intersection of 20<sup>th</sup> and Illinois Streets are currently leased by Affordable Storage and include parking uses and self-storage in on-site containers. Affordable Storage is negotiating with the Port to relocate its self-storage operation at a larger space at the southeast corner of Pier 70. Once that occurs, the area to the west of Michigan Street is proposed to be developed by the Port as a parking lot, operated as a fee lot by a parking operator under contract to the Port and would provide approximately 205 parking spaces for use by future tenants of the proposed project. Limited upgrades to repair the existing asphalt, add lights, and other requirement for the parking use would be installed by the parking operator. The Port would also retain the rights to relocate parking spaces for project tenants to other locations at Pier 70. Five new loading docks along the western side of Buildings 113/114/115/116 would also be created to provide loading for these Buildings.



## **North of 20<sup>th</sup> Street—Buildings 101, 102 and 104**

### Existing Buildings

Buildings 101 and 102 are Classical Revival buildings constructed by the 1905 successor to UIW, Bethlehem Steel, at the height of the City Beautiful Movement. They are appointed in hardwoods, marble, brass, and elegant tile. Building 101, the Bethlehem Steel Office Building, was built in 1917 at the corner of 20<sup>th</sup> and Illinois Streets as the grand entry to the shipyard. It contains about 61,000 GSF of floor space and is five stories in height – taking advantage of the significant grade change to create daylight-served lower levels. Next to it is the Building 102 Power House, an approximately 11,000 GSF building built five years earlier, which is a Beaux Arts structure housing four large air compressors.

The UIW Headquarters, Building 104, a Renaissance Revival structure built in 1896, has four stories with approximately 45,000 GSF of floor space. The building has rounded porticos, two-story arched windows, and a copper “headband” topping its façade. Building 104 is an unreinforced masonry building, with a distinctive clear story top floor “hung” from the roof structure.

Several smaller buildings, Buildings 122 and 123 are adjacent to Buildings 101, 102 and 104. Buildings 122 and 123, which contain a total of approximately 1,300 GSF, would be rehabilitated.

### Proposed Uses

Buildings 101 and 104, as former Bethlehem Steel and UIW office buildings, would be rehabilitated for office use and upgraded with the technological capabilities required for modern businesses. Building 104 at one point served as a medical office and hospital building and may return to a similar use. The former Bethlehem steel cafeteria (in Building 101) would remain a food production use, while the former powerhouse (Building 102) would become a restaurant or other retail or commercial use.

### Rehabilitation Concept: Building 101

Building 101 is a five-story above street level office building that was constructed in 1917 using a concrete encased steel frame with brick and stone cladding. The building has two lower levels and a penthouse level. Although the proposed project’s code consultant has determined that a seismic retrofit is not required per Section 8-302.2 of the California Historic Building Code because Building 101 would be reused for the same occupancy for which it was originally intended, a voluntary seismic upgrade is being proposed to remediate several structural and nonstructural deficiencies, including interior hollow clay tile demising walls and lack of sufficient strength to meet current seismic standards. The seismic upgrade would install a concrete seismic restraint system and remove or encase the hollow clay tile walls, as warranted.

Returning Building 101 to use would require repairs at the historic exterior elevations, selected rehabilitation of historic interior spaces, selected new interior construction, and new construction to replace the existing residential penthouse at the roof. The existing lower level walkway along Illinois Street would be repaired to provide an accessible path of travel and entry into Building 101. An outdoor deck is also proposed to be installed on the roof of Building 101 adjacent to an existing single night watchman’s unit. The night watchman’s unit is currently approximately 475 GSF and would be enlarged to include additional GSF as part of the proposed project.

Changes to accommodate new users would be primarily focused on the interior and, specifically, the office wings, which would be opened up (removing demising walls) in order to accommodate open office uses and reduce seismic risk. Minimal replacement of historic assemblies and materials is anticipated. Where missing or severely deteriorated elements preclude repair, replacement would be based on existing matching examples and on the original drawing details, a full set of which is available. Due to the fragility of the historic interior fabric and the greater constraints in restoring this fine office building, the cold shell work would include doors and windows, rough in for electrical, plumbing and HVAC, elevator, and a higher level of finish. As tenants are secured, specific office, kitchen, and conference rooms, and the HVAC system would be constructed.



#### Rehabilitation Concept: Building 102

Building 102 is in fairly good condition and currently is in use as the powerhouse facility for the ship repair yard. To reuse this building as a restaurant or other commercial use, the proposed project would remove one or two of the four historic air compressors, add an exterior outdoor deck to the north, remove minimal existing interior partitions, and add the kitchen and restroom facilities needed for a restaurant use. The proposed project would include requisite repairs at the historic exterior elevations and roof and addition of an access ramp at the front (south), and alteration of several window openings for access to the exterior deck at the rear (north). The existing electrical systems, now serving the ship repair facility, would be moved and relocated in a manner to support the ship repair operation.

#### Rehabilitation Concept: Building 104

Building 104 presents another challenging, red-tagged building. It has very heavy loadbearing exterior brick walls, with floors that threaten to collapse during a major seismic activity. It also has an archaic structural design and lacks adequate exiting. Building 104 has experienced extensive changes over time. It was converted to a naval hospital in the 1940s, at which time additions and external stairs were added in the rear (north) side. Those additions are severely deteriorated and threaten the building stability.

The building would return to medical office and office use. Interior rehabilitation of Building 104 would consist of demolition of demising walls from the WWII era, rebuilding of the rotted portions of the rear addition areas, stubbing out infrastructure, addition of an elevator, and abatement of environmental conditions. Structural bracing would be required to meet seismic codes, although the exact locations are dependent on the specific future use.

Exterior changes would be limited to cleaning and repairing brick and stone masonry, repairing wood windows and doors, including selective replacement where in poor and irreparable condition, repairing and selectively replacing ornamental copper work at cornice, roof eave, and roof drainage assemblies, selectively replacing roofing, and replacing skylights. Where missing or damaged features would need to be replaced, such replacement would be based on original details. A dilapidated small wooden one story 1,200 square foot addition at the northeast corner of the building would be removed. To provide accessibility to the building, an elevator would be added within the existing vault space at the north side of the building.

#### Rehabilitation Concept Building 122 and 123

These one-story buildings are on the eastern and western sides of Building 104. Historically, they were used as "check houses" for workers entering the historic shipyard operation. Each would be rehabilitated as part of the proposed project with necessary repairs and minimal removal of interior features. Building 122 (780 GSF) is between Buildings 102 and 104. It would hold shared infrastructure facilities for the proposed project. Building 123 (536 GSF) would provide a small commercial leasing opportunity.

#### Parking, Access and Circulation

The secured entrance to the BAE Systems ship repair facility would be moved to the North, defining the beginning of Georgia Street that would eventually connect to the planned 19th Street extension. Limited surface parking and loading would be provided on the northern side of Buildings 101, 102, and 104. Approximately 65 off-street parking spaces would be provided within the ODI leasehold, replacing an existing parking area currently used by BAE Systems. An access ramp or stairs would be provided between Buildings 101 and 102 to navigate the grade change from 20<sup>th</sup> Street to the parking areas behind the buildings.

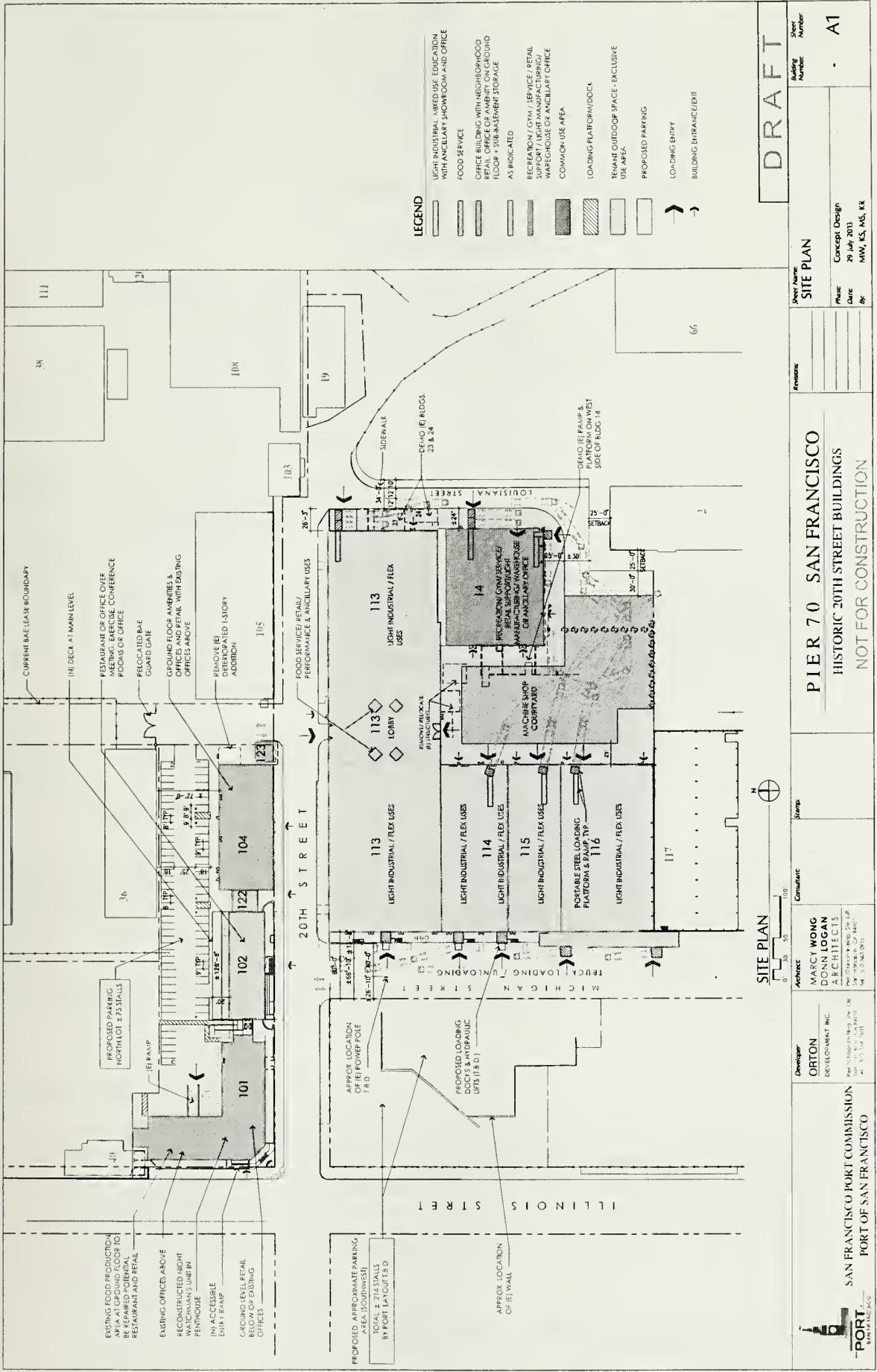


Table A

20<sup>th</sup> Street Historic Buildings  
Summary of Proposed Project

	Prior Use	Proposed Use	Existing Sqft	Sqft Removed	New Sqft	Propose Sqft
Building 101	Office	Office	61,311	0	900	62,211
Building 102	Industrial	Commercial/ Restaurant	11,266	0	2,565	13,831
Building 104	Office	Office	45,759	522	0	45,237
Buildings 113/114/115/116	Heavy Industrial	Light Industrial	120,719	3,009	59,120	176,830
Building 113	Heavy Industrial	Public Atrium	11,593	0	0	11,593
Building 14	Heavy Industrial	Light Industrial	16,315	0	6,465	22,780
Buildings 122, 123, 23, 24	Industrial	Industrial/Retail	2,855	1,539	0	1,316
Project Totals			269,818	5,070	69,050	333,798
Plaza	Industrial Yard	Industrial Yard/ Public Space	~45,000	0	0	~45,000
Off-street Parking						~ 270 spaces









## MEMORANDUM

October 3, 2013

**TO:** MEMBERS, PORT COMMISSION

Hon. Doreen Woo Ho, President

Hon. Kimberly Brandon, Vice President

Hon. Willie Adams

Hon. Leslie Katz

Hon. Mel Murphy

**FROM:** Monique Moyer *M. Moyer*  
Executive Director

**SUBJECT:** Request authorization to award contracts to three firms: Aguatierra Associates, Inc., dba Weiss Associates, Baseline Environmental Consulting, and SCA Environmental, Inc. for As-Needed Environmental and Related Professional Services, each in the amount of \$1 Million, totaling \$3 Million

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### DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

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### EXECUTIVE SUMMARY

Pursuant to a competitive Request for Qualifications (RFQ) process which the Port Commission approved, Port staff requests the Port Commission's authorization to award and enter into three master contracts for as-needed environmental and related professional services under Administrative Code Section 6.64. These proposed contracts, to be awarded to the three highest ranked RFQ respondents, will each have a term of three years, with an extension option of one year, and a not-to-exceed amount of \$1 million.

### INTRODUCTION

The Port Commission, at its April 23, 2013 meeting, authorized staff to issue a Request for Qualifications (RFQ) for as-needed environmental and related professional services (Resolution No. 13-17). The RFQ, issued on July 16, 2013, solicited responses from qualified firms to enter into master contracts for as-needed professional services over a three-year period, with a one-year extension option and an amount not to exceed \$1 million each.

**THIS PRINT COVERS CALENDAR ITEM NO. 9B**



The evaluation committee scored the following three firms as the highest-ranked candidates during the RFQ process: 1) AguaTierra Associates, Inc., dba Weiss Associates (Weiss Associates), 2) Baseline Environmental Consulting, and 3) SCA Environmental, Inc. Port staff requests Commission authorization to enter into a contract with each of these three firms.

## **BACKGROUND**

### Requirement for As-Needed Contracts

The very nature of the Port's aging infrastructure and deferred maintenance, combined with evolving and increasingly stringent environmental regulations, creates an environment of many unanticipated urgent projects that require immediate attention. These urgent project demands make it necessary to contract with consultants, on an as-needed basis, to provide the requisite environmental and related professional services on short notice. The as-needed and sometimes urgent nature of this work makes it impractical to rely on formal bids for every contract. Thus, as-needed contracts provide the most timely and cost-effective procurement method to meet these service needs.

### Existing Port As-Needed Environmental and Related Professional Services Contracts

The Port currently has three as-needed environmental and related professional services contracts in the amount of \$1 million each that were awarded in July 2010 to: 1) Baseline Environmental Consulting; 2) Tetra Tech/AEW Joint Venture; and 3) Weiss Associates. These contracts were originally scheduled to expire on July 31, 2013. The Port exercised options to extend the contracts for an additional year, through June 2014, in order to continue ongoing projects. Although these contracts will not expire until July 31, 2014, no new Contract Service Orders (CSOs) will be issued after July 31, 2013 because, pursuant to San Francisco Administrative Code Section 6.64, all new service orders must be issued within three years of the contract's effective date.

## **SELECTION PROCESS**

Subsequent to Port Commission authorization at its April 23, 2013 meeting, Port staff secured Civil Service Commission approval to solicit consultants at a June 3, 2013 hearing. The Contract Monitoring Division (CMD) of the City's General Services Agency reviewed the scope of work for the RFQ and set a Local Business Enterprise (LBE) goal of 22%. The RFQ was issued on July 16, 2013, and responses were due on August 16, 2013. Port staff conducted outreach efforts by placing advertisements in local newspapers using the Board of Supervisor's outreach list and the RFQ was posted on both the Port's and the Office of Contract Administration's websites. In addition, emails were sent to 73 firms and individuals who had recently attended a pre-proposal conference for as-needed environmental services contracts solicited by the City and County of San Francisco Department of Public Works. On July 19, 2013 Port staff hosted a pre-proposal conference; the purpose of this conference was to provide an opportunity for interested firms to ask Port staff clarifying questions about the RFQ as well as a networking opportunity for firms looking for LBE partners and subconsultants. A total of 43 individuals representing 34 firms attended the pre-proposal conference.



The Port received nine responses, three of which failed to meet the minimum qualifications established in the RFQ. Those three proposers were notified of their failure to meet the RFQ minimum qualifications. The Port received letters of protest from two of these firms within the requisite time period. The Port, after consulting with the City Attorney's Office, upheld the non-responsiveness determination for one of the firms and, upon further evaluation, determined that one of the firms met the RFQ minimum qualifications. The following seven firms, listed alphabetically, were advanced to the evaluation phase:

1. Baseline Environmental Consulting
2. Northgate Environmental Management, Inc.
3. SCA Environmental, Inc.
4. Tetra Tech, Inc.
5. Treadwell & Rollo, A Langan Company
6. URS Corporation
7. Weiss Associates

All of the seven firms that advanced to the evaluation phase included Local Business Enterprise (LBE) subcontractors as part of each team. One team that advanced to the evaluation phase included an LBE firm as the prime contractor.

A three-member evaluation committee reviewed and scored the written RFQ responses and conducted oral interviews. The committee was composed of a Manager of Regulatory and Environmental Affairs from the Port's Maritime Division, a Manager of Site Assessment and Remediation from the City and County of San Francisco Department of Public Works (DPW), and an Environmental Compliance Specialist from the City of Oakland Public Works Agency. Both the written response and oral interview phases of the selection process were evaluated using the following criteria: 1) technical approach; 2) relevant team experience; 3) staff qualifications; and 4) team organization, including depth of subconsultant resources.

Local Business Enterprise (LBE) incentive credits (ratings bonuses), if applicable, were added to raw scores during each phase of the selection process. Then the Contract Monitoring Division (CMD) Compliance Officer ranked the firms, pursuant to Chapter 14B of the San Francisco Administrative Code (the City's "Local Business Enterprise and Non-Discrimination in Contracting Ordinance").

In order to proceed to the oral interview phase of the competitive selection process, a team had to receive a minimum of 70 out of 100 points on the written RFQ response combined with ratings bonus points as applicable. Only the six highest scoring firms that exceeded the 70 point threshold were permitted to advance to the oral interview phase. Six teams were invited for oral interviews. The evaluation committee conducted interviews on September 25, 2013 during which consultant teams responded to a series of questions and made a presentation of their qualifications. CMD staff reviewed the oral interview scores and validated the final ranking (Exhibit A). As shown in Table 1 below, the top three ranked firms were Weiss Associates, Baseline Environmental Consulting, and SCA Environmental, Inc.



**Table 1. Consultant Ranking**

<b>Team</b>	<b>Written Response Score</b>	<b>CMD Bonus</b>	<b>Total</b>	<b>Oral Interview / References Score</b>	<b>CMD Bonus</b>	<b>Total</b>
<b>1. Weiss Associates</b>	92.33	0	92.33	90.4	0	<b>90.4</b>
<b>2. Baseline Environmental Consulting</b>	90.67	0	90.67	85.3	0	<b>85.3</b>
<b>3. SCA Environmental, Inc. (LBE)</b>	78	7.8	85.8	73.8	7.38	<b>81.18</b>
<b>4. Northgate Environmental Management, Inc. (tied)</b>	85.33	0	85.33	75.63	0	75.63
<b>4. URS Corporation (tied)</b>	90	0	90	75.63	0	75.63
<b>5. Tetra Tech, Inc.</b>	82	0	82	43.16	0	43.16

## **PROPOSED CONTRACT TERMS**

Each of the proposed master contracts will have a three-year term, with an option by the Port to extend the term up to one additional year for ongoing work to continue under previously issued Contract Service Orders (CSOs). No new CSOs will be issued as part of these contracts after three years pursuant to San Francisco Administrative Code Section 6.64. As proposed, each of the three master contracts will be awarded for a not-to-exceed amount of \$1 million over the life of the contract.

For the existing as-needed environmental and related professional services contracts, the Port Commission authorized staff to execute Contract Service Orders (CSOs) up to \$200,000 without additional Port Commission approval. Port staff is requesting that the Port Commission approve the same protocol for these new contracts. Under the present policy (Port Commission Resolution 10-60), the Executive Director has delegated authority to issue CSOs not exceeding \$200,000, consistent with the provisions of the San Francisco Administrative Code Section 6.64.

### Local Business Enterprise (LBE) Subcontracting Goal

The Port's Contract Monitoring Division (CMD) Contract Compliance Officer established a 22% LBE subcontracting goal for each of these proposed contracts. Each firm has committed to meet the 22% LBE subcontracting goal. In addition, each firm has certified non-discrimination in their selection of subcontractors.

### Scope of Work

Due to the nature of as-needed services, it is not feasible to define the specific scope of work in advance. Work under each master contract will be project-driven, and no particular tasks have yet been specified. However, based on the Port's experience with prior as-needed environmental services contracts, staff can indicate the types of professional disciplines and work that may be required. In general, consultants may be required to perform environmental studies and investigations including evaluation of soil, sediment, stormwater, surface and groundwater, air noise, and biological resources; prepare reports and plans including feasibility studies and risk assessments;



develop cost estimates for remediation planning; negotiate with regulatory agencies; and perform field inspections for various types of regulatory and environmental issues.

As with prior as-needed environmental services contracts, Port Project Managers will be able to utilize these as-needed consultants through several selection methods including direct solicitation of a particular team or issuance of informal Requests for Proposals (RFPs) to all consultants. The method chosen will depend upon the scope of the project and the urgency of the project. The Port Project Manager will choose the team whose proposal represents the best value and qualifications for the specific project. After negotiating a reasonable fee, staff will issue a Contract Service Order (CSO) to the selected firm followed by a notice to proceed to commence work under the Port Project Manager's oversight.

## **FUNDING**

Funding for these services will be encumbered on a project basis and drawn from either the Port operating budget or capital budget. Some services may be funded through General Obligation or Port Revenue Bonds. Funding for each Contract Service Order will be identified prior to requesting CSO proposals from the as-needed contracting pool. CSOs will not be issued without available funding.

## **SUMMARY**

The Port's existing as-needed contracts for environmental and related professional services are scheduled to expire on July 31, 2014, and further as-needed environmental services will be needed thereafter. Port staff request Port Commission authorization to enter into master contracts for as-needed environmental and related professional services with each of the three highest-scoring firms resulting from a competitive selection process.

## **RECOMMENDATION**

Staff recommends that the Port Commission approve the attached resolution authorizing staff to award three master contracts for as-needed environmental and related professional services to the following firms: Baseline Environmental Consulting, SCA Environmental, Inc., and Weiss Associates.

Prepared by:  
Andrés Acevedo, Contract Manager  
Lauren Eisele, Project Manager  
Shannon Alford, Project Manager

For:  
Byron Rhett,  
Deputy Director for Planning and Development



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 13-41**

- WHEREAS, the Port of San Francisco's environmental staff has, in the past, been requested to provide essential services that exceed staff resources available to the Port and other City departments; and
- WHEREAS, the Port anticipates a continued need for environmental and related professional services based upon its aging infrastructure, evolving environmental regulations, and the requirements of the Port's Ten Year Capital Plan; and
- WHEREAS, Port staff has managed and met environmental resource demands through three existing "as-needed" environmental and related professional services contracts to augment staffing of important and urgent projects; and
- WHEREAS, the Port's existing as-needed environmental and related professional services contracts have provided a timely and cost-effective vehicle for the provision of environmental professional services, but pursuant to San Francisco Administrative Code Section 6.64, no new Contract Service Orders can be issued after July 31, 2013 for work under these contracts because all contract service orders must be issued within three years of the contract's award; and
- WHEREAS, the Port's existing as-needed environmental and related professional services contracts are scheduled to expire July 31, 2014, and further services are needed thereafter; and
- WHEREAS, on April 23, 2013, through Resolution 13-17, the Port Commission authorized Port staff to issue a Request for Qualifications (RFQ) for as-needed environmental and related professional services and Port staff obtained approval from the Civil Service Commission on June 3, 2013, authorizing the Port to contract out environmental and related professional services on an as-needed basis; and
- WHEREAS, following staff's issuance of the RFQ dated July 16, 2013, the Port received submittals from seven respondents who met the minimum qualifications established in the RFQ and the respondents were ranked by the evaluation committee based upon their written responses, oral interview, and reference scores combined with any Contract Monitoring Division ratings bonuses; and



WHEREAS, Pursuant to the terms of the solicitation, Port staff recommend the award of master contracts with the three highest-ranked respondents, AguaTierra Associates, Inc., dba Weiss Associates, Baseline Environmental Consulting, and SCA Environmental, Inc. for as-needed environmental and related professional services in support of Port projects; now, therefore be it

RESOLVED, that the San Francisco Port Commission hereby authorizes Port staff to award and enter into master contracts for as-needed environmental and related professional services as outlined in the accompanying staff report, in such form as approved by the City Attorney's Office, with each of the following three highest-ranked respondents to the RFQ: AguaTierra Associates, Inc., dba Weiss Associates, Baseline Environmental Consulting, and SCA Environmental, Inc.; and, be it further

RESOLVED, that the San Francisco Port Commission hereby authorizes Port staff to execute each master contract in a not-to-exceed amount of \$1,000,000, for an initial term of three years, with the Port reserving the option to extend each contract for one additional year beyond the initial term; and be it further

RESOLVED, that the San Francisco Port Commission hereby authorizes Port staff to issue Contract Service Orders (CSOs) under each such master contract directing consultant teams to perform work on specific projects without further Port Commission authorization, provided that CSOs under each master contract shall not exceed \$200,000 cumulatively for any single project, as specified in Administrative Code Section 6.64.

*I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of October 8, 2013.*

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Secretary





# CONTRACT MONITORING DIVISION CITY ADMINISTRATOR'S OFFICE



Edwin M. Lee, Mayor  
Naomi M. Kelly, City Administrator

Maria Cordero, Director

## EXHIBIT A

September 30, 2013

To: Andres Acevedo  
  
From: Finbarr Jewell  
Contract Compliance Officer  
Contract Monitoring Division  
  
Re: RFQ- As Needed Environmental and Related Professional Services

---

The Contract Monitoring Division (CMD) has reviewed the six short-listed consultant proposals the Port previously determined met the minimum qualifications. The qualifications were established in the RFQ and the HRC concluded that all proposers satisfied the City's pre-award 14B requirements.

### Ratings Bonus

The following is a summary of the ratings bonus information:

- AguaTierra Associates, Inc., dba Weiss Associates (Weiss Associates)
- Baseline
- SCA Environmental, Inc. (10% Rating Bonus)

### Score Sheet and Score Tabulations

CMD has reviewed the score sheets submitted by the panelists and the final score tabulations. Based on this information, the proposals are ranked as follows:

FIRM	RANK	
Weiss Associates	1	90.4
Baseline	2	85.30
SCA Environmental, INC.	3	81.18
Northgate Environmental Management, Inc.	4	75.63
URS	4	75.63
Tetra Tech, Inc.	5	43.16



The Request for Proposals (RFQ) indicated that a contact will be awarded to the three highest ranked proposers. Based on the foregoing, CMD has determined that the three highest ranked firms complied with the pre-award CMD 14B requirements and is eligible for award of this contact.

**CMD Review**

The Contract Monitoring Division reviewed nine proposals to make certain each team met the minimum qualifications as determined by the Technical Review panel, and met the LBE goal of 22%.

If you have any questions and/or concerns please do not hesitate to contact me at (415) 274-0511









# **SAN FRANCISCO PORT COMMISSION**

**OCTOBER 8, 2013  
MINUTES OF THE MEETING**

GOVERNMENT  
DOCUMENTS DEPT

OCT 18 2013

**MEMBERS, PORT COMMISSION**  
**HON. DOREEN WOO HO, PRESIDENT**  
**HON. KIMBERLY BRANDON, VICE PRESIDENT**  
**HON. WILLIE ADAMS**  
**HON. LESLIE KATZ**  
**HON. MEL MURPHY**

SAN FRANCISCO  
PUBLIC LIBRARY

**MONIQUE MOYER, EXECUTIVE DIRECTOR**  
**AMY QUESADA, COMMISSION SECRETARY**



# **CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION**

## **MINUTES OF THE MEETING OCTOBER 8, 2013**

### **1. CALL TO ORDER / ROLL CALL**

Port Commission President Doreen Woo Ho called the meeting to order at 3:16 p.m. The following Commissioners were present: Doreen Woo Ho, Kimberly Brandon, Willie Adams, Leslie Katz and Mel Murphy.

### **2. APPROVAL OF MINUTES – September 24, 2013**

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. The minutes of the September 24, 2013 meeting were adopted.

### **3. PLEDGE OF ALLEGIANCE**

### **4. ANNOUNCEMENTS – The Port Commission Secretary announced the following:**

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

### **5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA**

### **6. EXECUTIVE**

#### **A. Executive Director's Report**

- Commendation to the Golden Gate Yacht Club for the 34<sup>th</sup> America's Cup

Commissioner Woo Ho - Before we go into the executive director's report, I know we have a lot of visitors today, and I just wanted to say this is being televised and so don't be misjudged by the amount of audience here in terms of what we're going to commend and celebrate because a lot of people are watching.



Monique Moyer - To the members of the public and our esteemed guests, it's fabulous to have you here in celebration of a most amazing September that the Port can ever remember, and a fun summer, for that matter. To finish it off with the Giant's season and our own cruise season was just really incredible for the Port.

Even before Oracle won, we wanted to make a point of commending all of you for your great efforts in bringing to us the 34<sup>th</sup> America's Cup. It has been an honor to work with each and every one of you, and to have so much attention on our waterfront is a great thing for the Port, but more importantly, to have so many people have the opportunity to participate in the way that they did in the America's Cup on the Port of San Francisco waterfront is just astounding. to have christened our brand new long awaited cruise ship terminal with such a marquee event, and invite the public out to the back of Piers 27, 29 in a way they've never been able to enjoy was just the icing on the cake. It was great fun to see the usual crowds flocking to the back of Pier 39 as well.

On behalf of the Port Commission and the Port staff, we wanted to recognize all of our partners in the America's Cup, starting with the Golden Gate Yacht Club. I've had the pleasure of reading this late breaking book called *The Billionaire and the Mechanic* by Julian Guthrie, also a writer for the *San Francisco Chronicle* which chronicles the story of, at least in one sense, the odyssey of the America's Cup and its journey to San Francisco.

I guess "the Mechanic" is here today with us, the Commodore of the Golden Gate Yacht Club. Norbert Bajurin is here. It's been a very long journey; maybe you'll say a few words on behalf of your vision of that. We couldn't have been more pleased and proud that the Golden Gate Yacht Club chose San Francisco, and the way that all of you worked with us on that was just terrific.

We have Tom Ehman, who's on the board, sitting next to the commodore, and their general manager, Bob Mulhern. I want to thank all three of you, your entire board, for your great membership, for the hospitality that you showed all San Franciscans, and particularly for your partnership and your extraordinary vision in picking San Francisco for the 34<sup>th</sup> America's Cup.

Commissioner Woo Ho - Also on behalf of the commission, I want to congratulate all of you.

Norbert Bajurin - I want to thank you, on behalf of my board of directors, my vice commodore, and our general manager, who happen to be here today. It's been a long genesis for us. It started in 2001 when we made alliance with a gentleman by the name of Larry Ellison. He believed in the Golden Gate Yacht Club, and that's where we started. We won the cup, making a long story short, on February 14th, 2010, and we brought it back to San



Francisco. There's no other place that it could possibly be than San Francisco.

Seriously, this is very nice. I really appreciate it but the thanks really go off to you and to Monique Moyer because you're the ones that helped orchestrate this more than I think we did. We brought you the means; you finished it to the end for us, and I really appreciate that. We have to thank Mayor Ed Lee and to you. Thank you very much.

- Commendation to the America's Cup Event Authority for the 34<sup>th</sup> America's Cup

Monique Moyer - I'd like to recognize and thank our partners and colleagues at the America's Cup Event Authority. They had an incredible task of creating the unknown in more ways than one, and we had a very close partnership that ensued probably every day from August 2010 till present day.

In some fashion, they created new challenges for us and solved a lot of other challenges, and in the end, we had an incredible experience together. Without the America's Cup Event Authority, there probably wouldn't have been the event that we are all celebrating today. I suspected that the racing would have ensued no matter what, and the talent there is well known now. The event itself was quite a treat for all of us at the Port, and again, the way that they creatively turned that great campus at Piers 27/29 into the America's Cup Village.

What they did at Marina Green, which belongs to the President of Recreation and Parks, and other places, has just been phenomenal. I can't wait to get back some of the great new treats they have in store for us at Pier 23 and other places. They've been terrific neighbors for all the Port tenants who've enjoyed them very much.

I want to say a tremendous thank you to Stephen Barclay, the CEO of the America's Cup Event Authority, and to Bob Billingham, who is sitting next to him, who was the project manager, Jack of all trades, you name it. He was the guy we texted and called at all hours of the day and night, and if he didn't answer, then we called Stephen, but mostly we got to Bob first.

They have just been incredible in what they've been able to come up with in the way of what it is now euphemistically called "Pop-ups". They are the quintessential pop-up and we've brought many of our development partners down to see what they've done at the Piers 27, 29 complex. It was just a tremendously great learning curve for all of us.

We thank you in particular, Stephen, for your tolerance, coming up to speed on the CEQA overnight was something to behold, getting involved with us and our 24 regulatory agencies was really amazing. I'm sure no one told you that was your job when you got hired and learning to make miracles where



miracles seemed very far off was a tremendous talent and then bringing in Bob to keep track of every permit, and every nuance, and what was moving, when it was moving, and how the garbage was getting picked up. All those things we all care about desperately and none of us want to take care of was really brilliant, and we've had such a good time working with both of you and all of your team.

Commissioner Woo Ho - I'd like to present this plaque in front, and I'd like my fellow commissioners to come down to be in the photograph.

Stephen Barclay - Thank you Monique for those words. You're right; thank Bob for picking up the pieces after me. Look, there's been lots of talk about how events like this can leave a legacy, and I think at the Port and all along the waterfront, we've seen a bit of that. But there's probably one thing that I think is a real legacy of having the America's Cup here.

In 2010, the city commissioned a study and there was some work done by the San Francisco University. It highlighted roughly that about two-thirds of San Franciscans really didn't feel a connection with the waterfront, and what I believe our event has helped is to show San Franciscans the Bay and how they can connect with the Bay in a cost effective manner. These pop-ups you've heard about were really relatively cheap to put up, but they look fantastic. People could come down for the cost of a public transport ride to the waterfront and spend the whole day there for free, and they saw the Bay and all its glory.

For me, that is a real legacy for San Francisco of having the America's Cup here. Thank you everyone for making our job a lot easier than it could have been, in particular, our Port partners. Monique, you and your staff, commissioners, without you, frankly it couldn't have been done. Without all parties, all partners to the America's Cup working together for the common objective, it wouldn't have happened because we tried to do so much in such a short period of time. From all of us to all of you, thank you very much.

Monique Moyer - Thank you, Stephen and Bob, very much. Please send our deepest gratitude to all of your team at the Event Authority.

- Commendation to the America's Cup Organizing Committee for the 34<sup>th</sup> America's Cup

Monique Moyer - I would very much like to recognize our partners at the America's Cup Organizing Committee. Thank God for them. That's all I have to say. They have been tremendous, starting with the original vision of chasing the 34<sup>th</sup> America's Cup to pick San Francisco as the venue. They have been terrific at getting everyone engaged, and, frankly, really helping us with a lot of our obligations and responsibilities. I can't think of two more selfless people than President of the Recreation and Parks Commission



Mark Buell and Kyri McClellan, who are both representing the America's Cup Organizing Committee today.

They have had a herculean task in raising awareness for the event, in partnership with the other two entities that we just talked about, but also in helping to raise funds at a time when most people have opted to sit out on the sidelines. They have dedicated countless hours of their personal time to it and really taken that burden from the city, and from the Port, and other city agencies.

We're extraordinarily grateful, and frankly it's just been great fun to work with you both and to follow you around as you have helped carry the word not only of the America's Cup, but as Stephen said, of the San Francisco Port Waterfront and the Rec and Park Marina Waterfront, both of which have become new jewels in the average household's eyes as Stephen put quite well.

Mark Buell - First, let me say thank you to the Port Commission and to Monique for this very distinguished honor. There's an old saying that "Victory has many parents and defeat is an orphan", and there are very many parents in this room, and around the city, and around the Bay area that deserve credit for the success of the America's Cup, starting with the vision of Larry Ellison when he said he wanted, "The fastest boats, the latest technology, and the best sailors." He delivered the goods, and he delivered in probably the most dramatic way that any of us could have ever expected.

I just came back from four days in Ohio at the President's Cup working on some city business. It was astounding to me how many people came up to me and said that it was the most dramatic thing they ever saw, that it was just amazing. Even our greatest critics, who didn't really want this to happen, have had to admit that they were glued to the TV, and they had to reluctantly say, "This was an extraordinary success."

To all of the parents, the Event Authority, Stephen, to the Yacht Club, to the Port, to the Board of Supervisors, the Mayor's Office, and the Coast Guard, you name it, everybody joined in to make this happen, and they all deserve a pat on the back. Thank you very much. I want Kyri to say a few words because I get a lot of the credit and she did the heavy lifting.

Kyri McClellan - I'd like to add that one of our best selling points when we were out in the community promoting this was how the event creates a forcing function, and that it really cuts through red tape. We've learned a lot collectively through this experience and raised the bar on the way that events will be done in San Francisco and the waterfront in the future. That really is a credit to the Port, and the city staff, and the team that made that possible. Thank you for delivering on what we had all hoped for. Thank you for this acknowledgement.



- Commendation to Oracle Team USA on winning the 34<sup>th</sup> America's Cup

Monique Moyer - Next we have a commendation and congratulations for Oracle Team USA. I thought Grant Zimmer was going to be here today, but I don't see him. I know most of the team has gone home to a well-deserved vacation with their families. We hope to have them back here very quickly, "hint", "hint". And I know that the city, through the mayor, will be hosting a large recognition and celebration of their incredible success in every way: from the athletes, to the boat builders, to all the folks that managed an incredible team based at Pier 80.

It's just been, again, an education, and as Commissioner Buell just said, it's really been a gift from Oracle itself under Mr. Ellison's leadership. For those of you who can, take back our great words of awe. It was really astounding to see them come from behind and to hang in. Last week I had the privilege of giving a classroom speech at a university on leadership, and what better definition of "leadership" than to talk about what Oracle did in not ever giving up, and finding it deep within themselves to pull together and stay together as a team. You know that had to have taken incredible energy, not just the physical energy of the racing but the mental and emotional energy, and the energy of all their families, and the sacrifices that get made in order for them to pursue these visions and these dreams.

On behalf of all of us at the Port, we couldn't be more proud or more honored to be affiliated with such great athletes but also such great leaders. We have a wonderful plaque. Does anybody want to accept it on Oracle's behalf? The commodore and the board president should accept it.

Kimball Livingston - For most of you, it's hello again. Yes, I'm Kimball Livingston, and yes, that did turn out in the end to be even more than we had imagined. In the interest of brevity, I can simply share with you the words of a great American, "F'ing A!"

Ellen Johnck - I'm thrilled to have this opportunity to say some wonderful things about the great event. I'm very attached to the Port and the city over many, many years. I'm Co-Chair of the Maritime Commerce Advisory Committee. I sit on the Mayor's Historic Preservation Commission. Also, I just happen to live right nearby across the street, where I work and live. I was witness to the confluence of history, of maritime, of culture, of social, business, and everything that the Port stands for and that the public was a part of. I was over there a lot. I watched the races. I brought many friends and guests there, and people said, "Ellen, this is the first time I've ever walked on a pier." Folks said, "We want it to stay here. We want more. Bring it back. Bring back the race. Bring back the excitement." It was just a terrific experience for all and we want to see more. Thank you.

Dee Dee Workman, San Francisco Chamber of Commerce - The chamber congratulates the Port, the America's Cup Event Authority and Organizing



Community, the Oracle Team USA, and all of the racing teams for bringing this uniquely thrilling event to San Francisco. The America's Cup brought thousands of spectators to our waterfront to watch the races for free, to eat in our restaurants, sleep in our hotels, purchase from local merchants, ride our public transit system, and fill our city with visitors from across the globe. It provided hundreds of new jobs for San Francisco's citizens, including my son who got to spend the summer as a social media intern -- "Best job ever!" So thank you from him and from me. It also provided the world with the visual splendor of San Francisco. The videos, live-streaming, and extensive social media of the races showed San Francisco at its best: a world class city worthy of hosting the America's Cup. It will certainly draw even more visitors to the city as a result. The chamber partnered with the America's Cup by boosting local business opportunities through our America's Cup One-Stop Shop at Pier 23 and managing the Business Connect Web portal. We look forward to playing that role again when the America's Cup returns, as it should, to San Francisco. Thank you.

Kevin Carroll, Executive Director of the Hotel Council of San Francisco - I have the privilege of working with an industry that helps welcome millions of people to San Francisco. I want to thank all of you that brought this event here for your vision and your tenacity in making it happen. I think it really demonstrates San Francisco's leadership, your leadership, and then also the fact that bringing such a world class event to what I've always thought as a world class waterfront is incredible. As a lifelong San Franciscan, it's important to see more events like this. When I hear others talk to me about it, I'm always like, "It's a global audience." That's something that is so important, that people around the world are watching, and watching the races under the Golden Gate Bridge, and looking at the city. I want to thank you from our industry, the 24,000 people that work in the hotel industry, and all just as a San Franciscan, to thank you for everything you did to bring this event here. We definitely would welcome it back again. Thank you so much.

Jon Ballesteros, San Francisco Travel Association - We wanted to take this opportunity to congratulate everyone involved on a fabulous event, and also say thank you to everything AC34 did for tourism here in San Francisco, both this summer and for the legacy of tourism in San Francisco. We know from the festive crowds that AC34 helped bring visitors from throughout Northern California, from across the country, and from around the globe. At the same time, we need to say thank you for creating aspirations to continue to visit San Francisco. By displaying the beauty, the charm, and the magic of the Bay to the rest of the world, we know that the races placed San Francisco on the bucket list of people throughout the world to come visit us. So for that, San Francisco thanks you for helping us do our job, and we say let's do it all over again.

Patric Kim, Secretary Treasurer of the ILWU Local 75 - We represent the watchmen that worked the cruise ships here in San Francisco. Thank you for the America's Cup. A little bit of history, the ILWU Local 75 had a letter of



intent with the America's Cup Event Authority to use our watchmen in 2012 and 2013. I'm happy to say the commitment was met. It resulted in our members working over 100 shifts and being part of the America's Cup experience. I want to thank Bob Billingham. We directly worked with him for a couple of years, so I appreciate his patience. It hasn't always been an easy journey, but as my wife reminds me, "If everything goes smooth, we'll never learn to appreciate what we struggle through." I want to thank the America's Cup.

Commissioner Brandon - I would like to thank all of you for bringing this amazing event to San Francisco. I can't even describe what I thought it would be versus what it actually was. To be able to drive down the Embarcadero now and get to work so easily instead of taking 30 to 45 minutes because of so many people along the waterfront for America's Cup, it's just a different experience. I just got used to the traffic. You succeeded with our mission in bringing people to the waterfront, which was absolutely wonderful. We definitely look forward to seeing you again in 2017, if not before.

Commissioner Katz – I echo all of the comments that have been said, but the thing that resonated with me was that this was a case of miracles seen and unseen. To all of you who made that happen, thank you. The city, and Port staff, Kyri, Mark, and the America's Cup Organizing Committee, Stephen, and Larry Ellison, the America's Cup Event Authority, Norbert and others from the Golden Gate Yacht Club, thank you all on behalf of all of us from San Francisco.

It was a series of miracles on so many levels, and we probably know better than many what most of you had to do to make much of this happen. There was really no better showcase for the city. The weather probably couldn't have been any better for that final race as the rest of the world sees San Francisco, so I echo John's comments from SF Travel that this will definitely be on the bucket list for many after seeing how beautiful our city was. As Monique said earlier, it really was an opportunity and a lesson not just in leadership, but also, for all of us, a lesson in how to get things done in the city, and the way people came together.

Finally, I don't think I know a soul that didn't attend at least one of the races towards the end. Everyone I talked to that had no clue about what was happening at the waterfront or even about what the race really meant by the end. I had several friends that were playing quite a bit of hooky, so we may have to calculate in the lack of productivity on some levels for much of the city. I think just about everybody I knew was glued to those races, and it's really a treat. Thank you all for everything you did to make this happen. As my colleagues have said, we definitely would like to see it in 2017.



Commissioner Adams - First of all, I'd like to say to the committee and everyone involved, that day of the final race, that morning I was in Fremantle, Australia, where at one time they had the America's Cup races, in the '90s I think. I got home that Wednesday and I was able to see the finals here. To see Team Oracle win the holy grail of racing just brought the city of San Francisco to another level, and it spoke about the passion, the heart, and soul of our city.

San Francisco, with the marquee name that this city has, and what we represent -- the passions and things like that -- and it brought a new culture. A lot of young kids got to go out and got to see first-hand what racing was all about, they had that experience. It brought more than just money here. It brought a new experience. It brought something in San Francisco that we have never had before. We are still growing as a city, and I'm looking forward to the next one because down the line, because of all the small steps that we're making, one day you will see the Olympics in San Francisco because we're a city of dreamers and doers.

In closing, I would like to say with all the teams working and cooperating, I wish that maybe we could send a letter to D.C. to show them how to get it done because they can't get it done. We've done it.

Commissioner Murphy - I'd just like to thank everybody involved. You did a fantastic job. Apart from what it did for San Francisco internationally, it did wonders for San Francisco locally. To echo what Mr. Barclay -- the guy with the funny accent back there -- said about 75 percent of San Franciscans not really knowing what goes on at the waterfront, I believe that to be true. There is more awareness now among people out in the neighborhoods of what actually goes on down here.

Secondly, our director spoke at a function for us recently, out in the neighborhood, and she spoke about the Port and what we do down here at the Port. After that meeting was over, at least ten people came up to me and said, "We had no idea what happens at the Port." If we learned anything from all of this, we need to educate our local people in San Francisco that there's a lot going on down here. Again, well done.

Commissioner Woo Ho - As the president, I always get the last word, but I also don't want to say too much because so much has been said and I don't want to repeat it. I wanted to have a couple of thoughts. I certainly want to ditto everything that's been said by all the speakers. As we all know, it takes a village to get something done, and this was a superb example of tremendous teamwork, and partnership and heartache along the way as well because we did have our little obstacles to get over.

Everybody worked very well together, and I'm very proud to say, on the Port side, we did deliver everything on time, on budget. That was incredible to think of what we had to do to get it done, so I commend the staff and



Monique Moyer, the executive director, as well as my fellow commissioners for helping to support that. I certainly do want to recognize all the players that we have recognized today: the Golden Gate Yacht Club, the Event Authority, the Organizing Committee, and obviously it never hurt to win, the Oracle Team.

I wanted to say one thing though that hasn't been mentioned. Personally, when a lot of people ask me about what the America's Cup meant to San Francisco, I think of one thing besides what was mentioned about what Larry Ellison's vision was. The way I see it is it did bring the race to the people. Certainly we had people who could enjoy it in the very chichi hospitality suites, Club 72, elsewhere, but they could also go right down the waterfront. They could pay. They could not pay.

The democratic aspect of this race is very significant. It changed everything for all of us. It made everybody get excited and engaged with the waterfront, with sailing, and it will have a long legacy. San Francisco is a most unique city, the only city that can do a natural amphitheater, as we've all talked about. Bring the race back on to San Francisco.

Monique Moyer - Thank you, commissioners. Just to close up my remarks about the America's Cup, I would like to thank all of you. It's been a long journey. You've had to show a lot of stewardship yourselves, and leadership, and patience, and fortitude, and rearranging of our budget priorities. You were right there with us, if not ahead of us, all of the time. I want to thank you for that. It's been just an incredible opportunity for the people of this region, not just of San Francisco, and it was great to have the commission leading the charge on that.

I'd also like to mention the leadership of Mayor Ed Lee. He's certainly been a tremendous role in the success of this event, and making sure that even when the city was being criticized, that he stayed strong and held to the vision; likewise, Lieutenant Governor Gavin Newsom, who started the journey before.

I couldn't close without thanking the incredible Port staff -- the best staff in the entire city -- as well as the Office of Economic and Workforce Development, and our colleagues all around, Rec and Park, the MTA, the police department, the fire department, the list goes on and on -- the airport, the museums who participated with special events. It was a city wide effort and it really came true for us. Please join me one last time in thanking these illustrious luminaries who brought this to us in the first place.

- First Annual Wharf Fest – October 26-27, 2013 from 11 a.m. to 6 p.m.

Monique Moyer - I have two more things on my executive director's report, both of which are fun, so this is a great day for us. On October 26 and 27, 2013, the Fisherman's Wharf Community Benefit District is going to host the



first ever Wharf Fest. This is something that has been on the envisioning board for a very long time, maybe not as long as the America's Cup vision of having it brought to the people, but it's certainly something that we've talked about at the waterfront.

We're so pleased that the Fisherman's Wharf Community Benefit District is going to take it on. The Wharf Fest will occur on Saturday, October 26 and Sunday, October 27 in Fisherman's Warf from 11:00 a.m. to 6:00 p.m. It is a two day festival. It will feature family friendly, cultural, and historic spirit that makes Fisherman's Wharf popular. It will have live entertainment, food, and wine, a clam chowder competition by all of our favorite waterfront restaurants.

There will be rides for the kids. There will be art. There will be fireworks, and much, more. On Sunday, there will be a culinary entertainment, which will consist of a lively demonstration kitchen featuring the neighborhood's top chefs, which ought to be pretty fun for our food friendly city.

The Wharf Fest is also helping to celebrate a number of marque events in 2013, including: the 35<sup>th</sup> anniversary of Pier 39, the 50<sup>th</sup> birthday of the Hyde Street Pier, and the 150<sup>th</sup> anniversary of the Port of San Francisco. The Wharf Fest is being produced by Steven Restivo Event Services, and you may know that Steven Restivo Event Services produces the Fillmore Jazz Festival and the North Beach Festival. We're lucky to have a festival moving down to Fisherman's Wharf, and we're excited by what that can mean to keep the energy going in San Francisco at the waterfront.

We hope to see everybody out again on Saturday, October the 26th and Sunday, October the 27th from 11:00 a.m. to 6:00 p.m. from Ghirardelli Square in the north-east all the way down to Pier 39 in the south-east.

- Proclamation for PIER 39's 35<sup>th</sup> Anniversary – 1978 to 2013

Monique Moyer – We have a really important birthday to talk about today, and that is the 35<sup>th</sup> anniversary of Pier 39. Pier 39 opened on October 4, 1978. Pier 39 replaced what was then Pier 39, which was more of a transit shed as we know our piers to be and Pier 37, with a brand new development that today is a 45 acre waterfront complex. It features 14 full service restaurants, 90 shops, and favored attractions such as the Aquarium of the Bay, a fabulous 5 acre park, and a 300 birth marina probably best known for their K-Dock, which is home to approximately 300 sea lions. We all know that when the sea lions take a vacation, it is front page news until they return, so they've become most beloved as much as anything about Pier 39.

We want to take this moment to recognize Taylor Safford and Kathy Paver, who are here from Pier 39, and congratulate them on all that they have done. I'd like to point out that the public-private partnership that we did in the 1970s with Pier 39 was the first of many great things to do. I like to tell people all the



time, true or not, but I say it anyway that it was the first ever public-private partnership known to be done by a public agency, and we're exceedingly proud of how well it's turned out.

It's the great realization of a vision. When the founders of Pier 39 envisioned bringing that kind of tourism experience to our waterfront, we were definitely a much more industrial waterfront than we are today. There was a vision that someday the waterfront would be populated with people and activity, the way it is today. It's hard to imagine going back 35 to 40 years in time and trying to know what it was like then and have this vision, but it was a tremendous vision. It was a big labor of love and entrepreneurship.

We'd like to congratulate Mr. Warren Simmons, Mr. Fritz Arko, and Mr. Bob MacIntosh who went before our now favorite CEO, Taylor Stafford. We have a plaque from the Port of San Francisco and we have a proclamation from Mayor Ed Lee.

Taylor Safford - Monique and commissioners, on behalf of the 100 or so shop owners who are at Pier 39 and the thousands of employees, I want to thank you for this nice recognition of our birthday. In honor of the occasion, we brought some cupcakes, which we hope you'll share with everybody. As part of that, we're also doing fireworks every Saturday night this month and invite you down. We had a great turnout for our first one this past weekend. The weather is perfect. It's a fun time. We really enjoy working with the Port. We feel very fortunate to be able to work with your staff and your executive director. We think your team is fantastic. Keep up the good work. Thank you very much.

Kevin Carroll - When I heard it was the 35<sup>th</sup> birthday of Pier 39, I thought, "Well that's good. I'll make my comments about when I was a kid and came down and was on Pier 39 for the opening," and then I started thinking about, "I was 17 when it opened, so I wasn't quite a kid." I have to say I never knew, when I was a child and then a teenager enjoying Pier 39 that I would end up working with Pier 39. I spent 3 years when I worked with the Fisherman's Wharf Community Benefit District. Working with the team at Pier 39, I learned so much about the organization; why it is so successful; why it is run so successfully; and just why it helps welcome millions of people to San Francisco. When I meet people around the world, they talk about Pier 39 as a destination, as it should be. I want to congratulate the group at Pier 39, wish them happy birthday. I hope I'm here for your many birthdays to come in the future. Thanks so much.

Commissioner Murphy - I remember what I was doing in 1978. I was a young general contractor then, and I built a restaurant at Pier 39 in 1969. I enjoyed it very much. I've been back there many times over the years, mostly when visitors are in town. I take them there, to the restaurants and other places. It was just kind of strange when you started talking about Fisherman's Wharf in 1978. It brings back a lot of memories.



Commissioner Brandon - I'm not going to say how old I was in 1978, but I do remember Pier 39 opening. I want to thank you guys for being such a great neighbor, and such a great organization and tenant to work with. You guys are just phenomenal. Thank you and happy birthday.

Commissioner Katz - I'll date myself a little bit. My first experience at Pier 39 was playing "Whac-A-Mole", so that'll give you an idea of my age. Congratulations! It's such a destination for so many coming to San Francisco, and it has stayed vibrant and lively. I just recently had some guests visiting from out of town and that was the first place they wanted to go to. I know the staff and all of us enjoy working with you, and are excited to be around when you celebrate the 50th and the 70th. Thank you.

Commissioner Adams – Congratulations! Pier 39 has a special place in my heart because whenever I have friends who come to San Francisco that's the first place they want to go. Pier 39 is the heartbeat of the waterfront. It really is. People, whether they're coming from Austria, all over the world -- they can be speaking different languages -- they know how to get down to Pier 39 and there's just something to me about that. Congratulations and thanks for all the hard work and heavy lifting.

Commissioner Woo Ho - I'd just like to say happy birthday as well. Pier 39 represents when the waterfront began to change. It was one of the first major developments. It was a long time ago, but we've seen a lot since. It was a pioneer at the time and I remember even going down there and you had a Citibank. I was with Citibank a long time ago and they sponsored a theatre, and the aquarium, and everything else. It was a major historic step forward for the waterfront at the time.

Obviously we now have other attractions out there, but it was amazing. I took my children there when they were little, and so it was a major attraction. We all have many, many memories. It's amazing that 35 years have gone by. I won't date myself either. Congratulations and we're very proud to have you as one of our major tenants. Probably the good thing is that you started everything. You may not be 'the' tenant anymore because we have many others, but at least you know that there is a certain favorite spot in our hearts for Pier 39. Thank you.

Monique Moyer - To reiterate, in celebration of Pier 39's birthday, every Saturday evening in October there is free music beginning at 6:00 p.m. and fireworks at 8:30 p.m. We thank you, Pier 39, for that extravagance. We all benefit. It's lovely to have our partnership with all of you. Happy birthday and thank you for the treats! We love that best!

- December 12, 2013 – Special Port Commission Meeting

Monique Moyer - I want to note for the record that in December we will be having a special meeting. We will be moving our December 10<sup>th</sup> meeting to



December 12<sup>th</sup> so instead of Tuesday, we'll meet Thursday. I'll mention that again, but for people making their plans now, I wanted to let the public know that.

## 7. CONSENT

- A. Request approval of a Mutual Termination Agreement with Literacy for Environmental Justice, for Lease No. L-13816, for the EcoCenter at Heron's Head Park, located at Jennings Street and Cargo Way, subject to Board of Supervisors' approval. (Resolution No. 13-39)

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 13-39 was adopted.

## 8. MARITIME

- A. Request authorization to accept and expend \$2,970,000 in grant funds from the Federal Railroad Administration for the rebuilding of the Quint Street Lead Track from the Peninsula Corridor Joint Powers Board mainline to the Port of San Francisco. (Resolution No. 13-40)

Jim Maloney, Port's maritime division - I'm here with my colleague Steven Reel, from the Port's engineering division, to outline the grant that the Port received from the Federal Railroad Administration to rebuild the Quint Street lead rail connection to the Port, and to ask for your authorization to accept and extend the funds to do the work.

In 2011, the Port of San Francisco staff applied for and was awarded a \$2,970,000 grant from the U.S. Department of Transportation's Federal Railroad Administration to rebuild the Quint Street lead railroad track. The current condition of the spur track limits the speed, frequency, weight, and length of the trains that can use the track. The approvals will allow freight trains to operate at higher speeds and clear the mainline more quickly, reducing potential delays for the Muni Third Street light rail line, the Caltrain commuter lines, and for future high-speed rail trains as well.

Upgrading the Quint Street lead track will be required in order to facilitate moving the bulk export products, such as iron ore, to the Port for export through a future Pier 96 facility. The Quint Street lead track is jointly owned by the Union Pacific Railroad and the Burlington Northern Santa Fe Railway. The Union Pacific Railroad currently provides rail service to the Port. The Burlington Northern Santa Fe Railroad no longer provides service to the Port.

Grants were awarded for construction projects, through the program, that improve the route or structure of a rail line, and only public agencies were eligible to receive grant funds under the program. The grant program will fund the Port of San Francisco Quint Street Lead Project as well as projects in seven



other states. Under this grant program, the FRA received a total of 57 applications and only 8 awards were given. The Port of San Francisco's project was the top scoring of the projects, we later learned. I want to give a special recognition to the Port's grant writer, Daley Dunham, who did a fabulous job of writing a very competitive grant.

The grant program requires a 10 percent match on the part of the Port, and these funds have in budget as part of the Port's capital project budget. The Port has four rail served cargo terminals that will benefit from these improvements. Pier 80 is San Francisco Bay's only break bulk terminal, and Piers 92, 94, and 96 currently operate as dry bulk and liquid bulk terminals.

After receiving Port Commission authorization to accept and expend the grant funds, next steps in the process will include: (1) Seek Board of Supervisors' authorization to accept and expend the funds (2) Complete all necessary environmental review under the National Environmental Policy Act, or NEPA. I will note that the CEQA, California Environmental Quality Act, approval has already been received on the project. (3) Conclude a track usage agreement with Union Pacific Railroad, providing the Port of San Francisco with control over the track during the period of construction. (4) Enter into grant agreement with the Federal Railroad Administration. (5) Request authorization from the Port Commission to issue a request for proposals to solicit a contractor to do the work. (6) Request the Port Commission's approval to execute a contract with the contractor. Those are some of the steps we'll be coming back to you on in the near future.

This project will not change the current track alignment and grade, which conforms with existing street grades. The current track has not been impacted by tidal action or storm flooding. However, we do not estimate any impacts to rail operations and safety until sometime after 2050. Given that raising the track is not compatible with existing street infrastructure, a global solution for this part of the city should be explored as sea level rise guidance is better understood in the future.

Port staff seeks your authorization to accept and expend the \$2,970,000 grant from the Federal Railroad Administration to rebuild the Quint Street lead, and to enter into a grant agreement with the FRA, and, if required, to identify the FRA for liability associated with the grant funds as approved by the city risk manager and the city's attorney's office. We also request your authorization to seek Board of Supervisors approval to accept and expend the grant funds.

Commissioner Katz - Congratulations and thank you. I know a lot of effort went into that. As you pointed out, we showcase San Francisco well, and thanks to you and Daley for getting this grant.

Commissioner Adams - Congratulations also for scoring at the top. I really like that. I'll be in D.C. in a couple weeks, and I'll be meeting with the new Secretary of Transportation, and this is really important for the infrastructure that we need



in the Port, especially if we want to bring more maritime. Thank you for your hard work.

Commissioner Murphy - It explains your general objectives of why you're doing it. It sounds like a good project. You got the grant. You got the 10 percent, so there we go.

Commissioner Brandon - Congratulations.

Jim Maloney - Thank you, Commissioners.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 13-40 was adopted.

## 9. PLANNING AND DEVELOPMENT

- A. Informational Presentation on the Orton Development, Inc. proposed project for the lease and rehabilitation of the 20<sup>th</sup> Street Historic Buildings on or near 20<sup>th</sup> and Illinois Streets at Pier 70.

Kathleen Diohep, Port's Planning and Development Group - I'm here to give you an update on the historic building project at Pier 70 that we are in partnership with the Orton Development Group to rehabilitate almost 300,000 square feet of historic buildings at Pier 70. To give you a sense of scale, the Ferry Building is about 100,000 square feet, so this is a significant sized project.

This is an informational presentation, to seek your feedback and your update. Almost a year to a day, the commission approved a term sheet outlining the basic business terms for this project, and we've been working hard since then. I'm joined today with the team from Orton Development, Eddie Orton and James Madsen. About a third of the way into the presentation, I'll shift to them and they'll be presenting the design and the vision for the buildings. I've flipped it a little bit for how it's in the staff report; I'm going to walk you through the business points and then turn over to them on the design.

We're going to give you an update on the project's status. We're going to talk through where we stand on the project costs and funding sources. We have two new issues and new funding sources on the table that are important to brief you on as policy matters: Seismic Safety Loan Fund and that we would be looking to do an infrastructure financing district here. Then the Orton team will present the revised project designs. Again, this is an update. We're not here for an action, but it's important to bring us all along in the community as we plan this project.

Pier 70 is approximately 70 acres located south of Mission Bay. This project is the historic core of Pier 70. The buildings themselves are currently approximately 270,000 square feet. We're going to expand it some. It was office and industrial buildings. Two of the buildings are red-tagged unreinforced



masonry buildings. They're some of the last in the city in that condition. We chose Orton Development through a competitive process. The term sheet has been approved and we are deep into design and due diligence now.

We were working away on the lease, and the LDDA, and all those documents that take the five page term sheet to a deal. The short version of this is very much a partnership agreement. We have set aside our rent for the first 20 years. The Orton team will secure the capital of the funds, the investment, bring equity to the table, and then we share. First we pay back their equity and then we split the revenue equally after debt service once the equity is repaid. There's a guaranteed rent to the Port starting in year 20.

It's important to realize this was a project where our dominate goal is to save these buildings and to find a partner to bring the buildings back into use. When we were here last year, we thought we were at a \$58 million project. The new update as of fall 2013, and these numbers keep refining, is \$75 million project.

A couple things have changed. We've seen a strong market and a strong tenant demand. It'll still be a feasible project. We've also identified a new capital source, which is the Seismic Safety Loan Program. You can see the changes in the first column from where we were last year, roughly this time, to where we are now.

The Seismic Loan Program, what it essentially does is pick up that increase in capital costs and let us use less of the private debt and equity. The growth in costs was in the hard cost. One factor is construction costs have increased. Other factors: the increased complexities and then there's roughly \$2 million of site work that wasn't included in the earlier budget.

I want to take a few minutes and talk through how we're using this Seismic Safety Loan Program. There are two buildings that would qualify for it. Everybody was dating themselves or not earlier, so in 1989, we had an earthquake. In 1992, the voters passed a general bond obligation measure for \$350 million to lend to seismically retrofit unreinforced masonry buildings. In general, this hasn't been used. There have been limited uses.

This would be a loan to the project. The project would repay the loan and those loan payments would repay the general obligation bond. It's essentially leaning on the city credit to get that capital, but it's not that there would be any general fund payments. The loan payments would repay that.

In July 2013, we took this concept to the city's Capital Planning Committee, who is the gatekeepers for general obligation bonds use, and they've agreed to it in concept. We still have to go through loan underwriting, and get the lease approved, and any other numbers of steps.

The bond was approved. It was designated with \$150 million for affordable housing. \$17 million dollars of affordable housing was done in 1992. There was another measure approved in 2007, which has been \$30 million of affordable



housing in a small market rate loan. There's still \$4.1 million available from the 2007 approval. We think we'll need more than that. It means when we go forward with the project approvals, we'll be also asking for another general obligation bond issue, which would lead to an appropriation to the Mayor's Office of Housing, who is the one making this loan.

The reason it hadn't been used to a great extent before was the interest rate was higher than the commercial market wanted to see for unreinforced masonry and there were loan requirements. Effectively what happened was the private markets stepped up and found ways to finance commercial market rate unreinforced masonry buildings. The Mayor's Office Housing fund administers this. The rate on the loan is a taxable bond rate. We think it will be 7.5 percent money, so it's not incredibly inexpensive money, but it displaces 14 percent developer equity so it definitely helps our project feasibility. It is a 20 year fully amortizing.

Here's where the loan really helps: it lets us leverage more. It lets us go up to a debt coverage ratio of 1.05, so that the ratio of the revenues coming in to the debt is narrower than would typically be required and a loan to value of 90 percent. So this functions as a second. It lets us bring more debt into the project. This was how the loan program was designed in 1992. This is not a special "ask" for the Port's project or for the Orton project. It was designed to try to bring money to difficult unreinforced masonry buildings in a way to get them back and in use.

It brings other requirements in. This is one that's very forward looking. 1992, 25 percent of total worker hours were required to be disadvantaged workers at half of the local medium income. It required bidding. It required prevailing wage and other city requirements. All of these requirements are part of the reason that it wasn't dominantly used for the commercial projects. Most of these requirements we already got in a Port lease, so it wasn't additive. So that's the big new business term. It's not a Port commission action, but it's here for you to be aware of in knowing how we're moving forward.

Other business issues - as we've looked at this, we've realized there are some other costs that are accessory to this project in a sense. We have to relocate the electrical systems serving the shipyard; we have to repair the sidewalks and roadways, and some other alignments that will be Port costs. Our proposed funding sources for those will be probably some mix of the three of these. The lease will include mechanisms where the Orton team would advance us funds to do some of this to be repaid back by project revenues. We would create an infrastructure financing district that could help repay these.

In a whole scheme of things, this isn't throwing off an enormous amount of property taxes, so the infrastructure financing district would probably do on a cash flow basis, pay things off as they came, or we would also be looking for some of these repairs to sidewalks, upgrades to street could be worked into the



Port's capital budget the next few years. This is also a new business term that I wanted to make sure you all were aware of at this point.

Our next steps on this project: We're working our way through the lease negotiation, the CEQA. The Orton team has been out there doing community outreach. We were at the Central Waterfront Advisory Group several times last month, walked through a presentation similar to what you're going to see but with more detail and really have a lot of support meeting with the Dogpatch Neighborhood Association tonight. The Orton team is starting to submit permits, and work with our engineers, and figure out exactly how we make these buildings come back to life.

The Seismic Loan application will go through the Mayor's Office. Your action will be approving the lease and development group. We'll have to be back to the Capital Planning Committee if we need to issue a bond. We're looking at the Board of Supervisors actions in early 2014 on the lease, the bond, and then the Mayor's Office of Housing to make that loan.

James Madsen with Orton Development will walk you through the design and the concepts for the buildings.

James Madsen - We were going to take this opportunity to walk through the project. The project hasn't changed conceptually since we last presented, but we have had the opportunity over the last year to get to know the buildings extremely well and have come up with some specific design solutions that address the different challenges that each building faces, and we have an overview of that today. There are seven buildings, so we only have a slide or two on each building in the interest of keeping it concise, but we'd be happy to go into depth on any of the buildings afterward.

As Kathleen said, the buildings total approximately 300,000 square feet. It's all existing historic structures that were built between 1885 and 1941. There are a variety of construction types. We hope to begin construction in early 2014 with the first buildings being turned over to tenants in early 2015 for tenant improvements, the first tenancy in 2015, and completing the project by 2017.

This is a map showing the existing buildings bisected by 20<sup>th</sup> Street. The two orange buildings were historically office buildings and will return to office use. The purple buildings and the brown building were historically lead industrial buildings, and they are also designated for future lead industrial use consistent with the prevailing M-2 zoning. Building 102, which is the small green building north of 20<sup>th</sup> Street, was historically a compressor house. It currently houses BAE's electrical. When the electrical is moved, it's slated to become a restaurant. Additionally, on the south side, we've created two new publicly accessible spaces. That includes the green portion of the building and 113, which would be an atrium, similar in some ways to the Ferry Building. The outdoor area, the courtyard shown in grey, would be another publicly accessible outdoor space.



Kathleen went over the milestones to date, so without recapping everything she said, the one particularly new milestone that we reached two weeks ago was on September 30<sup>th</sup> we finalized an agreement with the Contract Monitoring Division to hire at least 17 percent local business enterprises as part of the project, and with CityBuild to hire at least 25 percent local workers.

Going forward, we have CEQA approval, which is relatively straightforward because we're going back like for like and the Eastern Neighborhoods' EIR anticipated a lot of these uses. So provided that process continues to move forward as it has, we hope to get final board approvals in the first two months of next year, and we would begin construction immediately afterward.

The buildings are in extremely bad condition. Even before we began looking at the project, a significant amount of the infrastructure had been stolen. Today there's almost no infrastructure in the buildings. There are almost no life-safety systems. Seismic work is needed in almost every building, and the buildings continue to deteriorate, in particular they're weatherizing extremely quickly. We feel a real sense of urgency, and in particular, we are very concerned about what may happen if there's an earthquake.

All of those challenges have made this an extremely expensive, extremely complicated project. Some of the challenges that we plan to address in all of the buildings include: seismic solutions, ADA access, which almost no building is compliant because a lot of the historic details at entrances. We also plan to sprinkle all of the buildings because there are relatively few fire sprinklers, fixing the envelopes, fixing the roofs of all of the buildings, and bringing in new infrastructure.

All of the improvements that we do and that we discuss today will be approved not only through the CEQA process, but also under SHPO and NPS as part of the tax credit process, and we'll meet the Secretary of Interior Standards for Historic Preservation.

Building 101 is generally considered the gateway to the project. It was historically four floors of office over one floor of commissary. We're looking at whether a commissary use can come back into the basement of the building. We expect office to come back on at least four floors and possibly on that fifth floor. The major challenge that this building faces is ADA access, in particular the main entrance is four stairs and so will probably require a ramp into the building if it's permitted by the historic review. There's also some seismic work that this building requires.

The building inside has generally two kinds of partitioning. On the left side, there's a view of the executive offices, which occupy half of one wing. They're extremely beautiful, extremely historic, and our plan would restore those to the way they originally looked. The remainder of the partitions is generally non-historic. They have a lot of seismic problems because they're generally built out



of hollow clay tile and are in very poor condition, and our plan proposes removing them.

Building 102, the next building on the north side of the street, is the building that currently houses BAE's power. When the Port moves BAE's power, we've proposed creating a restaurant in the building. There's been extremely strong market demand, and we have three very well reputed San Francisco based restaurateurs who would like to turn the building into a restaurant when it becomes available.

One of the major challenges with this building is there's very small floor plates. The dominate feature of this building are four large compressors, but they also take up most of the floor area in the building. We have proposed to remove two of the four compressors, so you'd still be dining among some of the historic equipment. We've also proposed a deck off the north side of the building and potentially adding a mezzanine as part of the tenant improvements so that there would be enough seats to make it a commercially viable restaurant.

Building 104 is an unreinforced masonry building. It is one of the two buildings that would qualify for the Seismic Loan Program. It has a number of problems. One of them is its exiting is extremely non-code compliant at this point, and so it would go back to office use but it would be single tenant. Our scope of work for this building would include a substantial amount of seismic work, which would be incorporated into the tenant improvements.

There's a large amount of dry rot which would have to get addressed because of a very leaky roof, and then there's also ADA access issues in this building. This is a picture of the interior. There are a number of non-historic partitions that we would remove, and the building would return to open floor plates as office.

Building 113 and 114 are generally considered the most important historic buildings on the site. They're also in the worst condition and they are red-tagged. They are also unreinforced masonry buildings that would qualify for the Seismic Loan Program. The two brick wings were built beginning in 1885 and they were later joined by the white concrete connector building -- that's about midway down the building -- in 1914. The primary problem with this building is the seismic, and we have looked at a number of ways to address that.

This is a view from the inside of the building looking down one of the brick wings. The brick wings would become light industrial space with ancillary uses like offices and cafes, but they would primarily be light industrial. The seismic solution that we have come up with involves replicating an existing mezzanine in the building, which is shown in light grey on this plan, with a number of other new mezzanines which would brace the walls and which would support the roof of the building. That would relieve the existing brick walls of the roof load, and the walls would essentially become a very beautiful cladding that from the outside would look the same as they look today but which would no longer play



a structural role in the building's support system. That would bring the interior of the building, the new structures, to 100 percent of the current seismic code.

That's a rendering of what the building would look like with the mezzanines in place. They've been designed to leave the central view corridor of the building open so that when people walk through the atrium, the building would still read the same as it had historically.

This is an elevation of the atrium, that's the white building. We anticipate doing a number of different things in that space, including: events, food service, and retail. This would really be the connector between the future Crane Cove Park and the outdoor courtyard that's just beyond this atrium.

In the atrium, there are also a number of small spaces that we've decided to rent out to smaller companies rather than incorporating them into some of the larger floor plates. The reason we've done that is because there are very few opportunities on this site for small companies to rent space, especially because there are a number of historic restrictions about dividing up the large floor plates. This gives us an opportunity to find a number of small businesses and to have them out at the site as well.

Buildings 115 and 116 are poured-in-place concrete buildings. The main challenges they have is they lack a roof more or less. They have an enormous amount of window work that needs to be done. There's also a lot of loading issues, and for them to function as light industrial, which they're designated to function as, we will have to add additional loading. They also have seismic issues. We anticipate that whichever tenant comes into those buildings will require some sort of mezzanine and the seismic would be incorporated into their mezzanine improvement.

This is a picture of some of the new windows that would be coming into some of the existing openings that don't have windows, the large main entries. All of the other windows would be the original windows restored or replaced when damaged beyond restoration.

Building 14 is the last building in the project. It will read very similar to how it looks here. There are a number of panels that are damaged that need to be fixed. We have proposed adding a number of new windows to increase the natural light in the building and to make it more rentable.

There is a very beautiful, very large plaza that is created by these buildings, and we plan to program it with a number of different events over the course of the day. That would include farmer's markets, lunch trucks, music, entertainment, events, and festivals depending on the time of day and time of year. This also functions as a loading area and provides truck access to the buildings for their light industrial functions.



Finally, with respect to parking, the term sheet with the Port provided for one spot per 1,000 square feet of building area. That will be made up of a combination of parking spots that are within the lease boundaries and then parking spots that are provided by the Port, probably run by a third-party operator. Initially, those spots may be on the parcel that's between Illinois Street and the project; and they may move over time as additional development happens, and that flexibility will be written into the master lease.

Commissioner Murphy - Thank you James and Kathleen for your presentation. This is a wonderful project. I had the pleasure of spending a couple of hours over there with James last week, and I got to tour most of the buildings. I'm very happy that the character of the buildings is going to be kept. I have a question on building 113, 114. All the work up on the top, is that going to be retained, kept?

James Madsen - The trussing?

Commissioner Murphy - Yes, the cranes and all that.

James Madsen - Yes, there are three extremely large yellow cranes about 20 or 30 ton cranes and those will be retained. The large yellow one shown in the middle here, two of them will actually be pulled in and they will form the boundaries of the public atrium. When you look up, you'll see the two large cranes on either side, and then the third will probably be located at the far end of the building and will be visible in the view corridor, but it will be part of the tenant space.

Commissioner Murphy - On this particular building, are you going to pour a new concrete slab in there?

James Madsen - We will. We plan to pour a new concrete slab for the entire south side. It will solve a number of problems, including some environmental capping that's required for the site. The floors are not functional right now. It will address some ADA issues and will also provide some lateral shears as part of the seismic plan.

Commissioner Murphy - I envy you. This is an incredible restoration job. Are there six or seven buildings you're doing?

James Madsen – There are seven different construction types. A number of the buildings share walls, so it's a little bit ambiguous.

Commissioner Murphy - I'm an old restoration guy and I love that sort of work. Walking through the buildings with you the other day was a lot of fun. You were saying, "Well, I'm pulling out this partition and that partition." I knew exactly what you were talking about. These are partitions that had been put in over the years and you were going back to the original. Just walking in these buildings that haven't been occupied for 25 or 30 years was just a great feeling. It's a pity we



didn't maintain some better security and maybe we'd have some copper, plumbing, and all that other stuff that was stolen out of there. It's a great project, and you're saying that possibly we'll get that project going next year?

James Madsen - Yes, we hope in a couple months to be underway.

Commissioner Murphy - When that's going full blast, how many people do you think you're going to manage?

James Madsen - We haven't reached a final number right now with Nibbi. We are trying to balance having a very large crew complete the project very quickly and a large, but less large, crew with longer jobs, and we're trying to balance how quickly tenants need the space. We're working with Nibbi on that right now, and we could probably get a number.

Commissioner Murphy - Now, you addressed what's near and dear to me. You said, "Give me a list of all the halfway houses around town," and you'd take care of them. I appreciate that, and I will get that information over to you.

Commissioner Adams - First of all, I had an opportunity to spend about three hours with James, and then Mr. Orton showed up and we really sat down and talked. It was so surreal going through all those buildings. But what really struck me was the non-traditional mindset of your company, and the working class approach, and the thinking out of the box that you guys are doing, whether the Bethlehem Steel Building and even where this restaurant was going to be. It's going to add a new flavor, like a real funkiness, kind of out of the box to the waterfront and make it just so diverse. There will be something in San Francisco for everybody. I was really impressed. I also like when you were talking about your commitment to local hire and to community, and you said you're committed to this community, and to jobs, and the empowering.

What really sold me were the passion, and the energy, and when Mr. Orton was talking about this being a work of love. You guys have done a lot of projects, but you said this project here was very special to you, and that really meant a lot to me because money is one thing, but passion is another. If you do things out of passion, I think you'll do better than if you do it for money. Clearly, this is a work of passion. I just really appreciate it. You guys answered all my questions and it was real hands-on. I just want to say thank you.

James Madsen - Thank you.

Commissioner Katz - I concur with my colleagues. As I've mentioned, this is one of the most exciting projects that the Port has going. It's going to leave such a lasting impact on the city of San Francisco. I really feel like we're doing it right, and I want to thank you for that in terms of outreach to the community, recognizing the importance and the history of this site, and enabling us to maintain the unique character that's down there so that it will meld with the existing neighborhoods. As I see it, it really will enhance what's there and open



up this area. I want to thank you for the work that's going into it. I know lots of surprises -- you try to anticipate what's going to happen, but with a project like this, there are a lot of surprises that come up.

I know at one point we talked about and you've alluded to some of the problems, obviously with the theft of much of the material leading to greater instability as well as the instability due to the age of the buildings. We talked about some interim showing up. Could you perhaps articulate a little bit about what's been done on that front?

Kathleen Diohep - The Port staff, because we weren't sure how quickly we could get a developer on board, did bring forward and we have a capital budget item and did a design for an interim showing up. When the Orton team came forward, they showed the chutzpah you've all acknowledged. We realized we were better off to redeploy that \$1.5 million toward the fundamental seismic rehab. So the 1.5 million going into the project from the Port is in that same fund for shoring, plus \$250,000 we're getting from the state. That was actually going to be a system to make sure the roof didn't fall, but would have had to have been taken out in the long term. We've taken a little longer of a risk, in time that it's not been shored up, but it's a better use of the shoring money.

Commissioner Katz – I want to thank you for the "labor of love," as Commissioner Adams pointed out. It will pay off for all of us in the long run in terms of opening up the area and the beauty that we hope to see down there.

Commissioner Brandon - I don't know if there's much more to say, but I totally agree with my fellow colleagues. I think this is a wonderful project, and I like the fact that you guys are sticking to your aggressive timeline and wanting to get this done. I think it's going to be such a beautiful project once it's completed. I promise next time I come to visit, I won't wear heels.

Commissioner Woo Ho - It's been a while since I've been down there, but seeing the pictures bring back a lot of the enormous opportunity. Obviously, it's a little bit like the ugly duckling turning into a swan is what you're trying to do. I think the significance of these buildings, not only in terms of the buildings themselves but as we know, it's the first open gateway to Pier 70, so it's very important as the first step. As the public sees how that whole area is going to get developed, yours is going to be the project that opens up the spirit and the feeling for the area, so it's very significant. We really appreciate this update.

I have a couple of questions, and I know that you've been in discussion with a lot of interested parties. At one point, you had a vision of arts and crafts, and other things, but what I'm hearing today is a little bit of the traditional uses of what these buildings have been used for: office, restaurant -- that was not a restaurant before obviously; it was a power station -- and light industrial.

I'm not necessarily talking about the specific tenants, but can you give us in terms of the flavor the neighborhood that you think you're going to create with



these uses? Are there any more comments you can give us to give us a sense of the vision that you now seek? Because at one point you had some vision of education, which I don't hear at all. I'm trying to get a sense of what it is that you're trying to create down there.

James Madsen - We always meant to stay within the zoning, so manufacturing becomes manufacturing. We had looked at the potential for arts manufacturing, and we've talked to a number of tenants that are private companies but do have a lot of connections to art and art creation, so we think that still is possible. There are a number of other creative companies that aren't attached to arts but are involved in manufacturing and very cutting edge technology that have public facing elements which would invite the public into their spaces.

It's going to be a mix on the south side of some companies that are creating things that have to do with arts and entertainment, and then some that have to do with other kinds of manufacturing, but they all will still be manufacturers. On the north side, in terms of office, we haven't solidified anything, but there have been a number of non-profits and a number of creative type uses that have all looked at the buildings. We think it will be a combination of those types of companies because of the unique nature of the buildings is attractive to them.

Commissioner Woo Ho – it sounds like we might have more of "Made in San Francisco" kind of products, which would be exciting. I'm not trying to pin you down to specifics in terms of companies.

Eddie Orton – In terms of the community, our first goal always was that we want this to integrate into the city and that in five years, no one will ever know that it wasn't part of the city. It will just flow into this. Locally, we'll also have a couple of different communities that are created around the atrium, that are created around the piazza, and eventually Building 102.

Art is embedded in our lives in San Francisco, so whether it be the small units, whether we have somebody making products for sale, that those products are going to be artisan. They're going to be a hat maker. They're going to be an embroiderer. They're going to be people who are engaged in what we do in our lives, which in San Francisco is about art and the way we express ourselves. So you might have an industrial tenant, for example, that is deeply involved in the entertainment field. Anyway, that's the life we lead and that will be reflected in this project.

Commissioner Woo Ho - One little nitpick, Building 102 has a footprint of how much for a restaurant, of useable space once you get all that power equipment out? I'm just curious.

Eddie Orton - There's some issues about what exactly can be removed from a historical point of view, but it's approximately 2,500 to 5,000 depending on how certain things get decided.



Commissioner Woo Ho – Lastly, originally we were going to have \$14 million of equity from Orton, and now we're increasing the amount of the funding from the Seismic Loan.. You know I have to ask a financial question, right? It would be atypical of me not to. The amount of equity that Orton now is putting into the project is less than \$14 million, so what is the amount of equity in the project now?

Kathleen Diohep - We actually lumped together the private debt and equity because that's part of the financing that the Orton team is still negotiating. Before we come back with the actual lease approval, we'll have the more detailed pro forma. We don't have those details right now yet. We can see the overall mix. The hope is to have sufficient equity to get it done. That's the \$14 million commitment. But if there's a way that we can, between the Seismic Loan Fund, bringing in historic tax credit investors, and the construction loan, do it with more leverage, then that is less costly.

I realize I'm giving you an evasive answer, because I don't have the exact numbers yet. We're doing the underwriting, and we'll be back with that detail.

Commissioner Woo Ho - Well, the reason I ask that question is just because, obviously, 7.5 percent versus 14 percent. From the Port's standpoint, there's obviously some advantage, but then I guess from the lender's perspective, they'd also like to see that the developer has equity in the deal and is at risk.

Eddie Orton - It's going to be around \$5 million invested. There's a lot of lines crossing and it's crossing around \$5 million.

Commissioner Woo Ho - Thank you very much. We're very pleased to see the progress. Time does go by quickly. It's nice to see that this is moving along in a measured way, and we hope that this gets off the ground as quickly as possible. There are a lot of steps now to be taken, but it seems like there's a lot more flesh on the scale and we're beginning to see the body.

Kathleen Diohep - If we keep moving along at this pace, I hope to be back here asking for an approval in the very near term. I appreciate your comments and your direction, and we're trying to get this building and these projects going.

Commissioner Murphy - Our president was asking about art in one of her questions there. You know, when I look at these buildings as they are today and as they will be when they're finished, that's what I see – art!

- B. Request authorization to award contracts to three firms: Aguatierra Associates, Inc., dba Weiss Associates, Baseline Environmental Consulting, and SCA Environmental, Inc. for As-Needed Environmental and related Professional Services, each in the amount of \$1 million, totaling \$3 million. (Resolution No. 13-41)



Andres Acevedo, contract's manager. I'm here with Lauren Eisele, Shannon Alford, and Carol Bach, who are key members on the team for this solicitation process. I also want to point out the help that Rich Berman and Jay Ach, members of the Port's environmental team, who were all directly involved in this solicitation.

The purpose of the request is for the Port Commission to approve award of contracts to three firms for as needed environmental and related professional services. The firms are Aqua Tierra Associates doing business as Weiss Associates, Baseline Environmental Consulting, and SCA Environmental. Each contract will have a maximum, not to exceed, amount of \$1 million for a combined \$3 million limit spread between the three contracts. The terms will be a three year term with an option for an additional year.

We currently have an existing team of three teams doing environmental and related professional services for the Port on an as needed basis. These contracts expire on July 31, 2014. We're in the fourth option year on these contracts. We have the three teams there. We came to you April 23, 2013 for authorization to issue the RFQ. We drafted the RFQ and worked with CMD, and the CMD set a LBE goal for these new contracts at 22 percent, which is 2 percent over the existing contract's LBE goals.

On July 16, 2013 the RFQ was issued, and as part of that, we conducted the following outreach efforts. We posted the solicitation on the Office of Contract Administration's and the Port's Web sites for contract opportunities. We advertised to the Board of Supervisors' outreach list. We sent emails to over 70 firms and individuals, and those names were from a DPW list that the DPW put together. They had issued a similar contract just recently. They're actually in the process of that. When they held their pre-proposal conference, we were able to get a hold of that list and send them out. We also worked with CMD. Other firms who contacted Port staff were included on the list.

On July 19, 2013, Port staff held a pre-proposal conference. A total of 43 individuals representing 34 firms attended. The proposals were due August 16, 2013 and at that time, we received nine proposals. Seven were deemed responsive and met all the minimum qualifications, and were advanced to the written evaluation panel. The evaluation panel was made up of three members. One was a Port staff. One was a member of San Francisco DPW. The third was a member of the City of Oakland's Department of Public Works.

The written evaluation panel reviewed all seven of the RFQ responses, and they evaluated them on technical approach, team experience, staff qualifications, and team organizations. They scored each of these. To these scores was added any LBE rating bonus that the Contract Monitoring Division Contracting Office deemed by evaluating them. In that case, there was one firm that got a 10 percent rating bonus.



For firms that needed to advance to the oral, there were two hurdles. The first was they needed to score a minimum of 70 points on the written to be considered, and then we only selected the top six firms to advance to the oral interviews. They had to meet a minimum of 70 points and had to be one of the top six to advance. We held interviews on September 25, 2013. Prior to the interviews, we did a reference evaluation of all six of the firms that were invited to the oral interviews.

The oral interviews were conducted by the same panel. At that time, we added the scores that we got as part of the referencing process. Each team was given an opportunity to present their qualifications, and was asked to respond to a series of questions that the panel members evaluated and scored them on. Final scores included the reference points as well as any Contract Monitoring Division (CMD) LBE bonus points.

The results were Weiss Associates, Baseline Environmental Consulting, and SCA Environmental. SCA Environmental was actually an LBE Prime, and so they did get bonus points as part of that process. All firms included LBE subcontractors. One was an LBE Prime.

Two of these firms are incumbents. They've worked with the Port before on environmental as needed, Weiss and Baseline, and both firms are currently meeting or exceeding their existing LBE goal requirements under the existing contract. We had four firms that were either currently contracting for the Port or had been in the past, and two of those firms did not make the cut.

The terms of the contract, as with the last one, are three years with an option for a fourth year. New CSOs, contract service orders, can only be issued during the first three years of the contract. The fourth year is used to keep existing CSOs that have already been issued it allows us to keep that work going but we can't add additional work, based on city regulations.

CSOs are limited to a \$200,000 limit per project, and that's not per CSOs; that's actually for the project itself. If we need to go above that, we would come back to the Port Commission to request approval to issue a CSO or that we had a project that we wanted to issue a CSO that would go over that \$200,000 limit. These contracts, all individually, have a not to exceed amount of \$1 million each, and the LBE goal is 22 percent rather than the 20 percent on the prior one.

Funding is project based, and so it can come from a variety of sources. It can come from Port operating funds, Port capital funds; it could be from bond funds or grants. It depends on the particular project and how we're financing that project.

In conclusion, staff requests the Port Commission to approve the attached resolution authorizing the staff to award three master contracts for as needed environmental and related professional services to the following firms: Baseline



Environmental Consulting, SCA Environmental, and Aguilera Associates doing business as Weiss Associates.

Commissioners Katz - In terms of the three consultants, is there any difference in terms of expertise or was it essentially all of them more or less met the same criteria? Do we have complementary firms, or is it whichever one we choose to pick for any particular project?

Andres Acevedo - They all were required to have certain qualifications. Within them, we had a broad scope of qualifications. When it comes down to issuing a CSO, we can do it a variety of ways if there's a particular firm we think has an expertise in it. We can also do it through a competitive process where we could send out a solicitation to all three firms and ask them to respond to that so it depends on the particular project.

Commissioner Katz - And then they could joint-venture if they wanted. How would that impact their contract limit?

Andres Acevedo - I'm not sure how they could joint-venture amongst each other because they're already in existing contracts, but maybe these firms are actually already in joint-ventures.

Commissioner Katz- Thank you.

Commissioner Brandon - Thank you for such a thorough presentation. I really appreciate it. I just have one question. If these are three year contracts, why don't we issue the RFQ in the second year versus waiting till the contract is over?

Andres Acevedo - Well, the contract is still active. Because of the city's requirements on these as needed contracts, we can only issue new contract service orders (CSOs), basically work tasks, in that first three years. We have some continuing ones on there. I think it's a timing issue in terms of getting contracts out with all the other contracts that we're doing at the same time.

Commissioner Brandon - I'm more focused on the consultants, and the consultants that have a three year term. Why can't we issue an RFP for new consultants until the three year term is up?

Andres Acevedo - No, that's not correct. We could issue an RFP before that term is up.

Commissioner Brandon - I was just asking, why do we wait till the fourth year and not do it in the third year before the contract expires?

Monique Moyer - That's our goal. The reality is we just had a lot of contracts to be issuing. We've been able to let some of those, where we can make do, wait in line, and this is one of them. But on our pools, we would like to get to a point



where we could be issuing the full year prior to the expiration, but we have one contracts guy and it's Andres. They're complicated and time consuming, but it's certainly something we're working towards.

Commissioner Brandon - Thank you.

Commissioner Adams - Andres, I just want to thank you and your team. Clearly, due diligence was done in this process. I appreciate the process, and I think competition is healthy. I also like that you pointed out the fact that two of the firms that previously had done work at the Port didn't make it, so I clearly know that you went through it thoroughly. You and your team did a good job. Thank you.

Commissioner Woo Ho - I also want to say thank you for explaining it. I wanted to understand a little bit on the selection process because we do have a couple of renewals, but then we also decided not to renew. In the way you've evaluated the criteria here, it seemed like it was based on their current presentation, both written and oral, and there was a difference in terms of the LBE requirements.

In terms of the actual quality of what they did at the Port prior, was that part of it because it doesn't seem to be specifically stated? The criteria of technical approach: relevant team experience, which is implied but not necessarily in terms of what we receive as a client, staff qualifications, and team organization. I'm wondering how that was evaluated for the ones that had done work the Port before, and whether that was part of it?

I think you said that we did go out and get references. So for those who had not obviously done work at the Port before -- where we didn't have ourselves as a reference -- we did go out and get references from other public agencies, municipalities, or whoever else they worked with?

Andres Acevedo - The contractors provided us a list of references, and then we make calls to them. We had a specific sheet and we had specific questions that we sent to them, asking them specific questions, just their overall view of the contractor.

Commissioner Woo Ho – Okay, but my question about how was the quality of the work for those who had worked before for the Port, how was that part of the evaluation criteria?

Elaine Forbes - Generally in an RFP/RFQ process, we're looking at qualifications of the firm, and project approach, etc. Prior work for the city comes in two places really. One is in reference checks, and the other is in responsiveness to prior work they've performed of similar types, so they would use city projects that meet those qualifications. The city really looks for the panel to evaluate the criteria of the firm's qualifications as a team approach, as if it's fresh, and deal with prior work through the reference check process and through the submission of projects that meet the qualifications.



The Contract Monitoring Division and the city's processes are looking for us to remove bias, essentially. So when the panel comes together, they're looking at the team's approach to the work as described. It's in the screening process, through reference checks, that we can weed out whether a firm is responsible and responsive.

Commissioner Woo Ho - So that's kind of like the absence of negative reference is positive.

Elaine Forbes - Yes.

Commissioner Woo Ho - But then if any of the firms that have done work that didn't do well in the presentation of their qualifications but did high quality work for the city before, I guess what I'm hearing is it's put aside?

Elaine Forbes - Not exactly. Through the reference check process, the administrative group would say, "We have negative references," and the panel would consider that. If it were significantly negative, we may make an argument that it's not a responsible response because of this significantly negative information, including from the Port. So it's not that it's not included; it's that the panel itself doesn't take it into account. As it is looking at the project approach, it takes it into account as part of the responsiveness determination that is an administrative review through reference checks.

Commissioner Woo Ho - Okay, thank you.

Commissioner Murphy - I wanted to say I think you did a very thorough job, and all the proposals you got. I also want to echo Commissioner Adams, and say that you had consultants in there and they didn't make the cut this time around. That means, to me, that you've done a good job in your research and checking these people out. So thank you very much.

Andres Acevedo - Thank you.

ACTION: Commissioner Brandon moved approval; Commissioner Murphy seconded the motion. All of the Commissioners were in favor. Resolution No. 13-41 was adopted.

## 10. NEW BUSINESS

Commissioner Katz - I have one item. I'm sorry Jim Maloney left, but just wanted to point out that a resolution was passed this past week from CAPA, the California Association of Ports for California, for the LGBT Port's Diversity Group. It's now an officially recognized affinity group. I want to thank Jim for his work on that. Monique I know also helped shepherd that through, and others. It's exciting to have the recognition for the LGBT commissioners, both elected and appointed, and executive staff, and Elaine Forbes, also a member of our group. It's exciting that we're now part



of the 11 publicly owned commercial ports here in California that formed that group which just passed..

Monique Moyer - Thank you, commissioner, for your leadership in that area as well. We'll be getting a framed copy of the resolution, which we will be proudly displaying in Pier 1.

Commissioner Woo Ho - We're very happy to be able to commend everybody today about America's Cup but as we know, the consideration for the next America's Cup is presumably on the radar screen. I don't exactly know the timing but at some point, it would be useful to hear from the Mayor's Office and others about exactly what the impact of the America's Cup is as we go forward so we all understand what we're bringing back.

We're excited about bringing it back, but we probably also want to understand what the impact was as they gather all the information. At a future Port Commission meeting, it would be helpful to have that, and so we can sit down and understand -- also, as we're getting involved again -- if we are involved, and hopefully we are.

Monique Moyer - We are. You had asked for that as well at a prior meeting. My understanding is through the organizing committee, there's economic research and analysis being done. The last timeline I heard was sometime in November when we should be getting that. If not at our November meeting, then presumably at our December meeting we could have that report.

## **11. ADJOURNMENT**

ACTION: Commissioner Adams moved approval to adjourn the meeting; Commissioner Murphy seconded the motion. All of the Commissioners were in favor.

Commission President Doreen Woo Ho adjourned the meeting at 5:12 p.m.







# SAN FRANCISCO PORT COMMISSION

Doreen Woo Ho, President  
Kimberly Brandon, Vice President  
Willie Adams, Commissioner  
Leslie Katz, Commissioner  
Mel Murphy, Commissioner

Monique Moyer, Executive Director  
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary  
Phone: 415-274-0406; Fax 415-274-0412

OCT 13 2013

DEPARTMENT OF PUBLIC WORKS LIBRARY

## AGENDA TUESDAY, OCTOBER 22, 2013 3:15 P.M. OPEN SESSION

**POR T COMMISSION HEARING ROOM, SECOND FLOOR  
FERRY BUILDING, SAN FRANCISCO CA 94111**

*The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at [www.sfport.com](http://www.sfport.com). The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.*

- 1. CALL TO ORDER / ROLL CALL**
- 2. APPROVAL OF MINUTES – October 8, 2013**
- 3. PLEDGE OF ALLEGIANCE**
- 4. ANNOUNCEMENTS**
  - A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting:** Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
  - B. Announcement of Time Allotment for Public Comments:** Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.



## **5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA**

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

## **6. EXECUTIVE**

### A. Executive Director's Report

- Ghost Ship Halloween – October 26, 2013 from 12 noon to 5 p.m. at Pier 70
- SF Open Studios at Noonan Building – November 2-3, 2013 from 11 a.m. to 6 p.m. at Pier 70
- Chef Michael Chiarello Named *Esquire* Chef of the Year and Coqueta at Pier 5 Named One of *Esquire*'s 20 Best New Restaurants of 2013
- Affordable Care Act Open Enrollment

## **7. REAL ESTATE**

### A. Request authorization to offer through competitive bid one (1) five-year lease for five (5) surface parking lots at: Seawall Lot 301 commonly known as the Triangle Parking Lot, bounded by Taylor Street, Jefferson Street, and Powell Street; SWL 314 bounded by the Embarcadero, Bay Street, and Kearny Street; Seawall Lot 321, bounded by the Embarcadero, Front Street and Green Street; Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street; and Seawall Lot 323/324 bounded by the Embarcadero, Broadway Street and Davis Street. (Resolution No. 13-42)

## **8. PLANNING AND DEVELOPMENT**

- A. Informational presentation on a Memorandum of Understanding with the San Francisco Mayor's Office of Housing and Community Development regarding affordable housing development at Seawall Lot 322-1 (located at Broadway and Front Streets).
- B. Informational report regarding the mixed-use development proposed by Forest City California, Inc. ("Forest City") for the Pier 70 Waterfront Site, bordered generally by 20<sup>th</sup> Street, Michigan Street, 22<sup>nd</sup> Street, and the San Francisco Bay.



- C. Request authorization to amend contract with Economic & Planning Systems, Inc. to provide additional real estate economics and related consulting services for the Pier 70 Waterfront Site, and to increase the contract amount by \$250,000 (or 50%) to \$750,000, and extend the term of the agreement for an additional 14 months. (Resolution No. 13-43)

**9. NEW BUSINESS**

**10. ADJOURNMENT**



**FORWARD CALENDAR**  
**(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

NOVEMBER 12, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Seawall Lot 337	Informational	Update on the mixed-use development project for Seawall Lot 337 and Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park
2	Pier 70	Action	Approval of the Exclusive Negotiation Agreement with Forest City Development for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street and the San Francisco Bay
3	Pier 9	Action	Approval of Port of San Francisco Lease Number L-15721 with Autodesk, a Delaware Corporation for a term of eight (8) years for approximately 3,400 square feet of unimproved Pier 9 shed space
4	Portwide	Action	Approval of contract with O'Rourke, Inc. and Davis & Associates Communications for media and marketing strategy at the Port
5	Portwide	Action	Approval of: (1) issuance of Port of San Francisco Series 2013 Revenue Bonds to fund certain improvements on Port property in the aggregate principal amount not to exceed twenty six million dollars (\$26,000,000) with an interest rate not to exceed twelve percent per annum; (2) the forms of Indenture of Trust between the Port and a trustee; (3) the sale of the Bonds by negotiated sale pursuant to a purchase contract; (4) the form of a bond purchase contract; (5) the preliminary form of the Official Statement relating to the Bonds and the distribution of the statement; and (6) the form of the Continuing Disclosure Certificate of the Port and the execution of the certificate.
6	Seawall Lot 322-1 at Broadway	Action	Approval of Memorandum of Understanding between the San Francisco Mayor's Office of Housing ("MOH") and the Port regarding the terms and conditions under which the Port will allow MOH to solicit a developer to enter into a lease with the Port for the development of Seawall Lot 322-1 with an affordable housing development
7	Mission Creek	Action	Approval of grant awarded in the amount of \$110,000 to SPUR, including a total Port



			contribution of \$25,000, for a study of sea level rise on Mission Creek
8	Portwide	Action	Approval to revise the existing Board Resolution of Intention to form the Port Infrastructure Financing District and Designation of Project Areas

**SPECIAL MEETING - DECEMBER 12, 2013**

	FACILITY/POLICY	ITEM	TITLE
1	Heron's Head Park at Cargo and Jennings Street	Action	Authorization to execute a lease for the "Eco Center at Heron's Head Park" and surrounding 6,058 square feet of non-exclusive license area.
2	Portwide	Action	Approval of the Executive Director's nomination of members to the Port Building Code Review Board
3	Pier 38	Action	Authorization to enter into exclusive negotiations with the best qualified Pier 38 developer
4	Tulare Park @ Cesar Chavez Street, Islais Street & Pier 90	Action	Authorization to advertise for competitive bids for Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects located at Cesar Chavez Street, Islais Street, and Pier 90
5	Portwide	Action	Approval of the Operations Agreement by and between the City and County of San Francisco by and through its San Francisco Port Commission and Expeditors International of Washington, Inc. granting Expeditors International authority to operate its site in Brisbane, California as a Foreign Trade Zone #3 Site for a term of 5 years, with a mutual option to extend for 5 years
6	Pier 70	Action	Approval of a lease and development agreement with Orton Development Inc. for the 20 <sup>th</sup> Street Historic Buildings at Pier 70

**JANUARY 14, 2014**

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Action	Approval to award the Hazardous Waste Contract



**DATE TO BE DETERMINED**

	<b>FACILITY/POLICY</b>	<b>ITEM</b>	<b>TITLE</b>
1	Pier 27	Informational	Presentation on the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
2	Pier 27	Action	Approval of the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
3	South Beach	Action	Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program
4	Pier 31	Action	Authorization to advertise for competitive bids for Construction, Pier 31 Building and Roof Repairs
5	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
6	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Building and Roof Repairs
7	Portwide	Action	Adoption of the 2013 Port of San Francisco Building Code
8	Army Street, Islais Street, and Pier 90	Action	Authorization to award Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects
9	Pier 31	Action	Authorization to award Construction Contract No. XX, Pier 31 Building and Roof Repairs
10	Pier 94 and 96	Action	Authorization to award Construction Contract No. X, Pier 94-96 Storm Drain and Outfall Repairs
11	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Building and Roof Repairs
12	3 <sup>rd</sup> Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project
13	Copra Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
14	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
15	Pier 35	Action	Request authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs
16	3 <sup>rd</sup> Street & Cargo Way Triangle and Cargo Way	Action	Authorization to award Construction Contract No. 2764, Quint Street Lead Improvement Project
17	Copra Loading Dock near Tulare	Action	Authorization to award Construction No. XX, Copra Crane Refurbishment



	Street		
18	Pier 70	Action	Authorization to award Construction Contract No. 2740, Crane Cove Park Project - Phase 1
19	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Substructure Repairs
20	Pier 70	Action	Approval of Lease No. L-15690 and L-15691 with Affordable Self Storage, Inc., subject to Board of Supervisors' approval, for a container storage facility on paved vacant land within Pier 70 in the Southern Waterfront
21	Portwide	Action	Request implementation of a 1.7% General Rate Increase for all items in the Port of San Francisco's Tariff Federal Maritime Commission 5, as approved by the California Association of Port Authorities



**NOVEMBER/DECEMBER 2013**  
**CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC**

DATE	TIME	GROUP	LOCATION
Nov. 12	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Dec. 10 Cancelled	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Dec. 12 Special Meeting	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Special Meeting	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

**NOTES:**

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ [www.sfport.com](http://www.sfport.com). The Port Commission meetings can be viewed online at [http://sanfrancisco.granicus.com/ViewPublisher.php?view\\_id=92](http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92). The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or [amy.quesada@sfport.com](mailto:amy.quesada@sfport.com)

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or [rip.malloy@sfport.com](mailto:rip.malloy@sfport.com)

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or [jim.maloney@sfport.com](mailto:jim.maloney@sfport.com)

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or [catherine.reilly@sfgov.org](mailto:catherine.reilly@sfgov.org)

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or [jonathan.stern@sfport.com](mailto:jonathan.stern@sfport.com)

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or [mark.paez@sfport.com](mailto:mark.paez@sfport.com)

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or [david.beaupre@sfport.com](mailto:david.beaupre@sfport.com)

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or [dan.hodapp@sfport.com](mailto:dan.hodapp@sfport.com)



## **ACCESSIBLE MEETING INFORMATION POLICY**

### **FERRY BUILDING:**

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

### **Know Your Rights Under the Sunshine Ordinance:**

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at [sotf@sfgov.org](mailto:sotf@sfgov.org). Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

## **NOTICES**

### **Prohibition of Ringing of Sound Producing Devices:**

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

### **Lobbyist Registration and Reporting Requirements:**

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: [www.sfgov.org/ethics](http://www.sfgov.org/ethics).





## MEMORANDUM

October 17, 2013

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Willie Adams  
Hon. Leslie Katz  
Hon. Mel Murphy

**FROM:** Monique Moyer *M. Moyer*  
Executive Director

**SUBJECT:** Request authorization to offer through competitive bid one (1) five-year lease for five (5) surface parking lots at: Seawall Lot 301 commonly known as the Triangle Parking Lot, bounded by Taylor Street, Jefferson Street, and Powell Street; SWL 314 bounded by the Embarcadero, Bay Street, and Kearny Street; Seawall Lot 321, bounded by the Embarcadero, Front Street and Green Street; Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street; and Seawall Lot 323/324 bounded by the Embarcadero, Broadway Street and Davis Street.

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**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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### EXECUTIVE SUMMARY

Port staff is seeking authorization from the Port Commission to issue a Request for Bids (the "RFB") from qualified entities to operate five (5) surface parking lots in the Northern Waterfront. The surface parking lots are on Seawall Lots ("SWL") currently operating under two separate lease agreements that have now expired with two parking lot operators and are on a month-to-month holdover basis. In order to take advantage of economy of scale, improve customer service through sufficient staffing, centralize reporting and maximize the economic return to the Port, staff proposes to consolidate the lots into one five (5) year lease agreement. The lease will be awarded based on the highest minimum rent bid subject to the qualifications outlined in the staff report.

**THIS PRINT COVERS CALENDAR ITEM NO. 7A**



## BACKGROUND

On March 10, 2009 the Port Commission approved Resolution 09-13 to competitively bid the above referenced lots divided into Opportunity A for SWL 301 and 314 and Opportunity B for SWL 321, 322-1 and 323-324. The Port staff proceeded as authorized and the submittal date for the bids was May 27, 2009, at which time the bids were publicly opened and ranked in order of the highest bid. The Port received five (5) qualified bids for Opportunity A and seven (7) qualified bids for Opportunity B. The initial highest bidder on Opportunity A and B withdrew its bid subsequent to the opening. The second highest bidder for Opportunity A was selected however subsequently withdrew its bid as well. Priority Parking was the second highest bidder for Opportunity B and Port staff proceeded with negotiations for a new lease. On October 13, 2009, the Port Commission decided to re-bid Opportunity A by Resolution 09-13.

On September 8, 2009 the Port Commission approved Resolution No. 09-53 authorizing the Port to enter into Lease No. L-14747 with Priority Parking-CA, LLC for SWL 321, 322-1 and SWL 323-324 (Opportunity B) for a three (3) year term, subject to Board of Supervisor approval. On November 10, 2009 the Board of Supervisors approved Resolution 0446-09 authorizing Lease No. L-14747. The lease requires payment of the greater of a minimum monthly base or 66% of the gross revenues net of the city parking tax. For the twelve month reporting period for August 2012 - July 2013 approximately \$2,291,000 was generated in annual minimum rent and an additional \$238,000 in percentage rent for a total annual rent of \$2,529,000 from the three (3) combined lots. The lease term commenced January 1, 2010 and expired December 31, 2012 and has been operating on a month-to-month holdover basis under the same terms and conditions.

On November 18, 2009 the Opportunity A bids were opened and Central Parking proposed the highest minimum monthly rent and met the minimum qualifications for experience and financial standing. Subsequently the Port and Central Parking negotiated an agreed upon lease and operations plan subject to Port Commission and Board of Supervisor approval.

On January 12, 2010 the Port Commission approved Resolution No. 10-04 authorizing the Port to enter into Lease No. L-14795 with Central Parking System Inc., for SWL 301 and SWL 314 for a three (3) year term, subject to Board of Supervisor approval. The Board of Supervisors approved Resolution 53-10 for Lease No. L-14795. The lease requires the greater of a minimum monthly base or 66% of the gross revenues net of the city parking tax. For the twelve month reporting period for August 2012 – July 2013 approximately \$2,069,000 was generated in annual minimum rent and an additional \$296,000 in percentage rent for a total annual rent of \$2,365,000. The lease term commenced on April 1, 2010 and expired March 31, 2013 and has been operating on a month to month holdover basis under the same terms and conditions. As a comparison between the two lots during the twelve month reporting period for August 2012 – July 2013, SWL 301 generated approximately \$1,652,000 in total annual rent to the Port based on approximately 71,500 square feet or \$23.10 per square foot. SWL 314 generated



\$713,000 in total rent based on approximately on 31,115 square feet or \$22.91 per square foot. SWL 301 requires a much more active level of customer service, management and staff as compared to SWL 314 which, at the current time, is primarily self-park.

The lease agreement for SWL 301 provides validated parking of up to two and three hours for lunch and dinner, respectively, at no charge to the parking customer who validates their ticket at one the Port's Fisherman's Wharf percentage rent tenants. The Port percentage rent tenants (i.e. restaurants and retail shops on Port property) pay no reimbursement to the parking lot operator for the validation. However the percentage rent tenants are required to purchase or lease validation equipment. The revenue value of the validation provided to Port percentage rent tenants during the twelve month period from May 2012 to April 2013 was approximately \$1.5 million dollars and totaled approximately 115,000 validated tickets.

SWL 314 serves as an occasional staging area for cruise ship operations on "double header" days when two cruise ships simultaneously dock at Pier 35 displacing regular parking operations. During the last reporting period there were approximately 6 days the lot was needed for maritime operations, resulting in a credit to the tenant against the minimum base rent on a pro-rata daily basis.

The customer service level for SWL 301 is a key component of running this lot effectively as this lot directly serves a number of Port percentage rent tenants who rely on this lot for convenient and accessible parking for its customers. A high level of customer satisfaction with the parking operations can help ensure repeat business and an overall positive experience visiting Fisherman's Wharf.

## **PROJECT OBJECTIVES**

It is the policy of the Port to periodically offer these lots for public bid in accordance with the Administrative Code of the City and County of San Francisco. Therefore, Port staff is requesting authorization from the Port Commission to offer, through the competitive bidding process, an opportunity to lease and operate these surface parking lots in the Northern Waterfront. Pursuant to the rules of the Administrative Code, these bids would be offered on a sealed price basis. The entity that presents the highest base rent proposal and that meets the minimum qualifications will be awarded the lease.

These lots serve a very diverse customer base such as commuters, tourists, local merchant patrons including restaurants, shops and offices, Exploratorium visitors, general visitors to the Port, attendees of special events hosted on Port property and cruise ship workers, passengers and vendors. Additionally, all lots must be operated in accordance with all City of San Francisco ordinances and rules relating to revenue capture equipment and tax payment.

The goal of the Port regarding the operation of these lots is to ensure that each lot is run effectively and efficiently while providing parking services for the Port's diverse customer base. The Port's desire is that these parking lots are operated with a mix of parking options such as hourly, daily, and valet parking, along with monthly parking options where permitted. The parking lot customer should receive prompt and courteous service, have



clearly marked rates and procedures to pay and park in a clean and safe environment reflective of the Port of San Francisco as a world class destination.

## **PROPOSED KEY LEASE TERMS**

***Financial Capacity*** • The lease agreement will provide to the Port the greater of a minimum base rent or a percentage of the gross revenues net of city parking tax. The Port parking lot demand has traditionally experienced peak and non-peak periods where the minimum base rent may exceed the percentage rent. In order to ensure the Port of its minimum rent during non-peak periods, the parking operator will be required to demonstrate financial capacity to perform as provided for under the terms of the lease including the operations plan.

***Customer Service Policies*** • Each parking lot requires various levels of staffing depending on peak vs. non-peak periods to provide the best customer experience by minimizing delays and ensuring an adequate level of security. Therefore, the lease will require a specific operational plan that allows the Port and the operator to mutually determine the proper staffing for each lot as needed. The Port parking lot operator will be required to demonstrate a history of high quality customer service. The operator will be required to provide a minimum level of experience in operating lots for a public entity and must be engaged in the business of operating parking lots as its primary business function. In addition the bidder would need to include Local Business Enterprise ("LBE") participation as a partner either providing specific services in operation, maintenance or security of the lots, or in managing an individual lot through the oversight of the bidder.

***Capital Improvements*** • Each lot will require a minimum level of improvements or maintenance during the lease term that may require substantial upfront capital to ensure the lot reflects the Port as a desirable place to visit and do business. The lot operator will be required to install, maintain and comply with the City mandated revenue control equipment. The parking lot operator must also demonstrate sufficient capital funds in reserve to improve and maintain the lot per the terms of the lease. Areas of tenant maintenance responsibility are as follows: paving, crack seal and slurry coat, re-striping, electrical, drainage, ADA compliance, signage, cleanliness standards including trash receptacles, power washing, and mechanical sweeping. Prior to lease commencement, the Port may, in its discretion, provide minimum infrastructure improvements to the lots or adjacent to the lots, such as electrical service to a specific lot for lighting and equipment, appropriate storm water drainage measures, adjacent sidewalk improvements and landscaping.

***Expansion Option*** • Occasionally, the Port will desire to activate additional surface lots or sheds, on an interim use, for parking as demand dictates, to accommodate special events or for additional parking as available or needed. Port may require the Bidder to operate the expansion lots as directed by the Port, through the use of a pre-approved lease addendum. The parking lot operator will pay a minimum of 66% of gross revenue less city parking tax for any expansion lot. Any additional Port required improvements to the lot may be credited against percentage rent upon written approval by the Port and subject to documentation as outlined in the lease.



## PROPOSED MINIMUM LEASE TERMS AND CONDITIONS

1. Term: Five (5) years.
2. Annual minimum rent adjustment: 3.5%.
3. Minimum Acceptable Bid: Percentage Rent: no less than 66% of gross receipts net of city parking tax per month, to the extent greater than Minimum Monthly Rent. Outlined below are the Minimum Monthly Rent requirements for the initial year of the lease:
  - SWL 301: \$120,140 per month;
  - SWL 314: \$52,274 per month;
  - SWL 321: \$68,707 per month;
  - SWL 322-I: \$48,802 per month;
  - SWL 323, 324: \$73,409 per month.
4. Port's Option to Expand Premises: Should any opportunity for additional public parking in surface lots, sheds or on Port property become available or on an as needed basis, the Port shall have the option to expand the Premises to certain sites contiguous or non-contiguous to the Premises but within Port jurisdiction ("Expansion Site") for the sole purpose of providing public parking. For operations of the Expansion Site(s), Tenant shall pay a percentage rent to the Port of 66% of gross receipts, after parking taxes.
5. Improvements: Each lot will require a minimum level of improvements or maintenance during the lease term that may require substantial capital to implement. The tenant will accept the parking lot in its "AS IS" condition and will be responsible for all necessary improvements, maintenance and compliance with laws. Throughout the term of the lease tenant will be required to maintain the surface lots including, utilities, lighting, revenue equipment, attendant booths, bollards, signage and general appearance in a condition satisfactory to the Port. Tenant will be responsible to secure any necessary permits from the Port for the improvements or from any other governmental agencies as required.
6. Security Deposit: Tenant shall deposit with the Port as security for the lease an amount equal to six months of the minimum rent in year five (5) in cash or in an irrevocable Standby Letter of Credit in a form and from financial institution acceptable to the Port.
7. Performance Standards: The lease shall be subject to financial and operating performance standards such as consistency in meeting pro-forma revenue targets, maintaining improvements in the lots and providing a high level of customer service as provided for in the Operation Plan. Failure to adhere to such standards will be the grounds for default and, if uncured, termination.



8. Signage: The tenant will be required to provide all signage regarding rates, hours and any other conditions such as validation in a highly visible and professional manner which will be subject to the Port of San Francisco signage guidelines and permits. Tenant shall co-brand the signage as a Port of San Francisco lot and display the Port logo on any entrances to the lots.
9. Additional Port Requirements: The Port will have the right to require the tenant to provide space for the Car Share Program, Zip Car Share, and to provide space for electric vehicle charging stations and equipment.
10. Termination and/or Recapture Rights: The Port will have the right to terminate the Lease for any reason upon no less than 60 days' written notice. Port will have the right to recapture any portion of the premises with no less than a 10 day written notice.
11. Prevailing Wages: The Lease will include the City's prevailing wages and displaced worker protection requirements for parking lots pursuant to Section 21C.3 of the City's Administrative Code.
12. Revenue Monitoring Equipment: The Lease will require the tenant to install and utilize revenue control equipment approved by the City and County of San Francisco in a location identified by the Port.
13. Special Restrictions:
  - A) SWL 301: Monthly parking service, rates or passes are prohibited for SWL 301 and Parking Operator shall provide two hours of no cost validated parking from 10:00 A.M. to 6:00 P.M. and three hours of no cost validated parking from 6:00 P.M. to midnight to customers of Port of San Francisco, Fisherman's Wharf tenants that pay the Port percentage rent (but excluding Pier 39, Pier 41, or any non-Port tenant) with proof of validated tickets. Tenant shall provide one hour of no cost validated parking from 10:00 A.M. to midnight to customers of Port of San Francisco, Fisherman's Wharf crab stand tenants (but excluding Pier 39, Pier 41, and non-Port tenants) with proof of validated tickets. Validated parking is not available for subtenants, concessionaires or sellers of non-maritime tours or excursions.
  - B) SWL 314: Approximately 6-12 times per year the lot shall be made available for Metro Cruises or any other designated stevedore company in support of cruise ships berthing at Pier 35 or Pier 27 Cruise Ship Terminal. In the event the lot is required, monthly minimum rent shall be credited on a pro-rata basis for the number of days used.
  - C) SWL 321: Operator must provide a maximum of 200 non-exclusive general parking spaces and a maximum of up to 30 exclusive parking spaces for employees of the Exploratorium. Should an employee desire to park in the lot, there is a one-to-one reduction in the number of general parking spaces, per the



Port's agreement with the Exploratorium. Those employees would pay the posted parking lot rates.

- D) SWL 323: This lot is for general public paid parking. The operator must provide 40 stalls within the lot and 24 spaces along Davis Street to Port of San Francisco employees. Port employees pay monthly parking fees directly to the Port and shall be excluded from the lot's Gross Revenue.
14. Operations Plan: Tenant shall provide a Port approved Operations Plan that will outline policies and procedures for: customer service, proposed rates and potential increases, signage, minimum staffing levels for peak and non-peak periods, hours of operations, equipment, security plan, reporting, maintenance schedule, job descriptions, cleaning schedule, environmental compliance plan, storm water management plan and other performance standards as required. Non-compliance with the Operations Plan may be deemed a material breach of the lease subject to termination if uncured.
15. Standard Port Lease Provisions: The Lease will contain standard insurance, indemnity, hazardous material, audit rights, security deposit, maintenance and repair provisions and all City and Port requirements.
16. Approval: Port staff will present the successful bidder and related lease to the Port Commission for approval and recommend said lease be forwarded to the Board of Supervisors for approval.

## **LOCAL BUSINESS ENTERPRISE PARTICIPATION**

The bidder would need to include a Local Business Enterprise as a partner either in providing specific services such as operations, maintenance or security or in managing an individual lot through the oversight of the bidder.

## **CLIMATE CHANGE**

The proposed Operations Plan for the Lot shall include proposed solutions to reduce negative environmental impacts of the lot operations. Areas to address are: environmentally responsible cleaning, reduction in Green House Gas ("GHG") emissions, installation of electric vehicle charging stations, providing car and bike share facilities, limits on idling vehicles and other such measures as prudently practical.

## **PROPOSED BID PROCESS**

The Port will accept sealed bids for the opportunity to operate the surface parking lots, referred to as Bid for Parking Lot Operations ('the Bid').

All bids must be hand delivered in sealed envelopes and clearly marked "Bid for Parking Lot Operations" and be received by 2:00 P.M., PST, on Tuesday, January 21, 2014, at the Port of San Francisco offices located at Pier 1, San Francisco, California 94111. The



proposed bid amount must be listed on the Bid Form that is an attachment to the bid package.

There will be a public opening of the bids at 2:00 P.M., PST, on Tuesday January 21, 2014, at the Port of San Francisco offices, Pier 1, Bayside 1 Conference Room, San Francisco, California 94111. The winning bid will be subject to verification of bid qualifications as outlined below.

The process will culminate in a lease with a term of five (5) years. The successful bidder will propose the highest rent for the parcels including percentage rent and will meet the minimum qualifications outlined below for experience, financial standing, have a demonstrated history of customer satisfaction and include LBE participation.

The rent for the Bid shall be bid as a minimum base rent plus a minimum proposed percentage rent of Gross Revenue, pursuant to the minimum acceptable bid requirements set forth below. The monthly minimum rent for the lease will be subject to an annual fixed rent adjustment of 3.5%.

The five (5) year lease shall be in substantial conformance with the Port Commission Approved retail leasing form and subject to Port Commission approval. The Board of Supervisors' approval is also required since the total anticipated revenues derived from the lease will exceed \$1 million dollars over the five year term.

## **BIDDER QUALIFICATIONS**

In order to be deemed responsible and therefore be considered for lease award, a bidder must meet the following minimum qualifications:

1. The bidder must be engaged primarily in the business of operating public parking lots and managed or is managing not less than 1,000 parking spaces with a combined monthly gross revenue of at least \$500,000 (including parking tax) for a minimum of thirty-six (36) consecutive months within the past five (5) years.
2. The bidder must demonstrate: good financial standing, the ability to perform the financial obligations under the lease such as providing pro-forma revenue and expenses, business plan, capital and operating budget and have a satisfactory record with other parking contracts and a demonstrated customer service record. Each bidder must also meet the Port's standard criteria for credit worthiness. The Financial Responsibility and Experience Questionnaire, and the Application for Lease will be used to evaluate a bidder's financial condition.
3. The bidder must show a documented level of Local Business Enterprise outreach and the bidder must include a Local Business Enterprise as a partner who shall participate in the managing, maintenance or security of the lots.
4. The bidder must complete the Human Rights Commission work force forms A&B.



Bidders who do not meet the above will be deemed non-responsive and their bids will be rejected.

### **PROPOSED BID TIMELINE**

1. Port Commission approval to issue RFB	October 22, 2013
2. Anticipated Issuance of RFB	December 10, 2013
3. Pre-submittal meeting and site visit	December 17, 2013
4. Submittal of Proposals due	January 21 , 2014
5. Bid opening	January 21, 2014
6. Recommendation to Port Commission and authority to negotiate lease	February 11, 2014
7. Port Commission approval of Lease (anticipated)	March 2014
8. Board of Supervisor approval of Lease (anticipated)	April 2014
9. Lease anticipated to commence effective	May 2014

### **PROPOSED BID OPPORTUNITY**

Approximately 250,314 total square feet totaling approximately 1000 self-directed parking stalls (or more if operated parked) consisting of SWL 301, SWL 314, SWL 321, SWL 322-I, SWL 323-324, as shown on the attached maps.

- SWL 301 is approximately 71,284 square feet with approximately 286 self-directed parking stalls. This lot primarily services Fisherman's Wharf merchants such as restaurants, shops, and Wharf visitors. The goal of the Port is for this lot to provide hourly and daily parking options for the Fisherman's Wharf area. The Port will prohibit monthly parking in this lot at all times.
- SWL 314 is approximately 31,115 square feet with approximately 124 self-directed parking stalls. SWL 314 is at the gateway to Fisherman's Wharf and Pier 39. The lot is located on the Embarcadero and bounded by Bay and Kearny Streets. This lot primarily services the Pier 35 Cruise Terminal passengers, Fisherman's Wharf merchants, Pier 39 visitors, as well as local merchants and area commuters. The Port will require that a minimum of 10% of the total parking stalls be dedicated to hourly parking to service the local merchants.
- SWL 321 is approximately 53,199 square feet with approximately 300 valet parking stalls, bounded by the Embarcadero, Green and Front Streets. SWL 321 primarily services the Exploratorium to whom, under the terms of the lease, the Port is



required to provide 200 stalls at market rates that incentivize turnover of the lot throughout the day.

- Seawall Lot 322-I is approximately 37,810 square feet, with approximately 151 self-directed parking stalls, bounded by Broadway, Vallejo and Front Streets.
- Seawall Lots 323-324 is approximately 56,906 square feet, with approximately 227 self-directed parking stalls, bounded by the Embarcadero, Broadway and Davis Streets. The Port has the right to up 64 self-park stalls for its employees whose fees shall be excluded from the Gross revenue reported to the Port.

The above number of stalls is an estimate only and could be more or less depending on lot configuration, self or operator parked or other factors. The Bidder shall be solely responsible for determining the number of parking stalls available to generate revenue based on a physical inspection of each lot configuration.

## **RECOMMENDATIONS**

Staff recommend that the Port Commission approve the attached resolution authorizing Port staff to prepare and offer, through competitive bid, one (1) lease with a five year term for the following public parking lot operations located in the Northern Waterfront through the competitive bid process: Seawall Lot 301 commonly known as the Triangle Parking Lot, bounded by Taylor, Jefferson and Powell Streets; SWL 314 bounded by the Embarcadero, Bay, and Kearny Streets; Seawall Lot 321, bounded by the Embarcadero, Front and Green Streets; Seawall Lot 322-I bounded by Broadway, Front and Vallejo Streets; and Seawall Lot 323/324 bounded by the Embarcadero, Broadway and Davis Streets on terms consistent with this Staff Memorandum.

Prepared by: Jay Edwards  
Senior Property Manager

For: Susan Reynolds  
Deputy Director of Real Estate



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 13-42**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, surface parking generates a significant revenue stream to the Port and the Port desires to operate its parking lots in an efficient manner while maximizing revenues; and
- WHEREAS, Port requires continued operation of Seawall Lots 301, 314, 321, 322-I, 323 and 324 located in the Northern Waterfront on an interim basis for public parking by both Port tenants and the public; and
- WHEREAS, Port staff is seeking authorization to offer through competitive bid one (1) five-year lease for surface parking lots in the Northern Waterfront ("the lots") for: Seawall Lot 301 commonly known as the Triangle Parking Lot, bounded by Taylor, Jefferson and Powell Streets; SWL 314 bounded by the Embarcadero, Bay and Kearny Streets; Seawall Lot 321, bounded by the Embarcadero, Front and Green Streets; Seawall Lot 322-I bounded by Broadway, Front and Vallejo Streets; and Seawall Lot 323/324 bounded by the Embarcadero, Broadway and Davis Streets; and
- WHEREAS, Port shall bid the lots based on a minimum base rent and percentage rent and the bid will be awarded to the highest bidder meeting the stated qualifications; now, therefore, be it
- RESOLVED, that the San Francisco Port Commission authorizes Port staff to issue a Request for Bids for a five (5) year lease for the lots on terms consistent with the Staff Report dated October 11, 2013 and therefore in accordance with the terms outlined in the Agenda Summary for this Item 7A, a copy of which is on file with the Port Commission Secretary.

*I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of October 22, 2013.*

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Secretary



SAN FRANCISCO BAY

PIER 45

PIER 47A

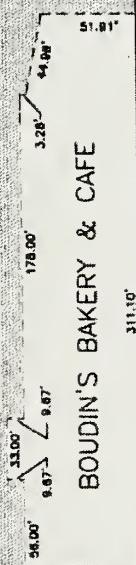
AREA DEDUCTED  
FROM LEASE  
= 261 Sq Ft

FRANCISCAN  
RESTAURANT

THE EMBARCADERO

SEAWALL LOT 301

AREA = 71,284 Sq Ft



JEFFERSON ST

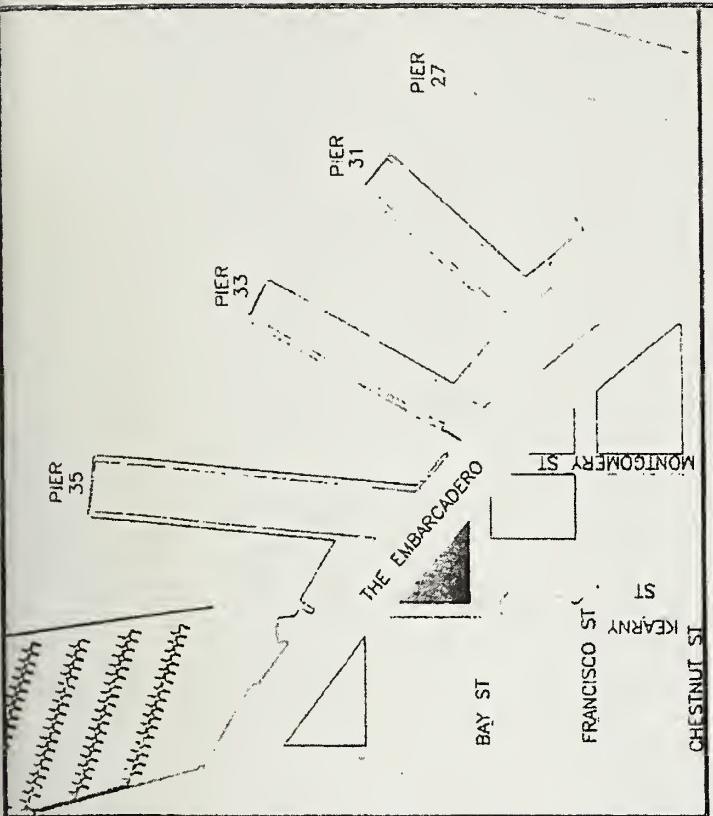
MASON ST

TAYLOR ST

LEASE NO.  SAN FRANCISCO PORT COMMISSION  
PORT OF SAN FRANCISCO  
DEPARTMENT OF ENGINEERING

LEASE NO.	TENANT	SEAWALL LOT 301	DRAWN BY: EEC DATE: APR 10, 2012
			CHECKED BY: R. MALLORY SCALE: 1" = 100'
			PLACE CODE NO. 3010-00 SHEET NO. 1 OF SHEETS
			G:\06 PROPERTY FILES\Lease Maps\EXHIBITS-SM\SM_301\www301\PARK-2.dwg





THE EMBARCADERO

SEAWALL LOT 314  
AREA = 31,114.9 Sq Ft

KEARNY ST

LINE OF PORT JURISDICTION

BAY ST

MONUMENT LINE

PROPERTY LINE

LEASE NO.	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO "PORT" - DEPARTMENT OF ENGINEERING	TENANT	SEAWALL LOT 314
DRAWN BY: ECC CHECKED BY: J. BAUER PLACE CODE NO. 3140-00	DATE: JAN 7, 2009 SCALE: 1"-60' SHEET NO. OF SHEETS		



COMMERCE ST

FRONT ST

EXISTING ASPHALT BERM

SEAWALL LOT 321  
& PORTION OF UNION ST  
AREA = 53,199.0 Sq Ft

GREEN ST

LINE OF PORT JURISDICTION

MONUMENT LINE

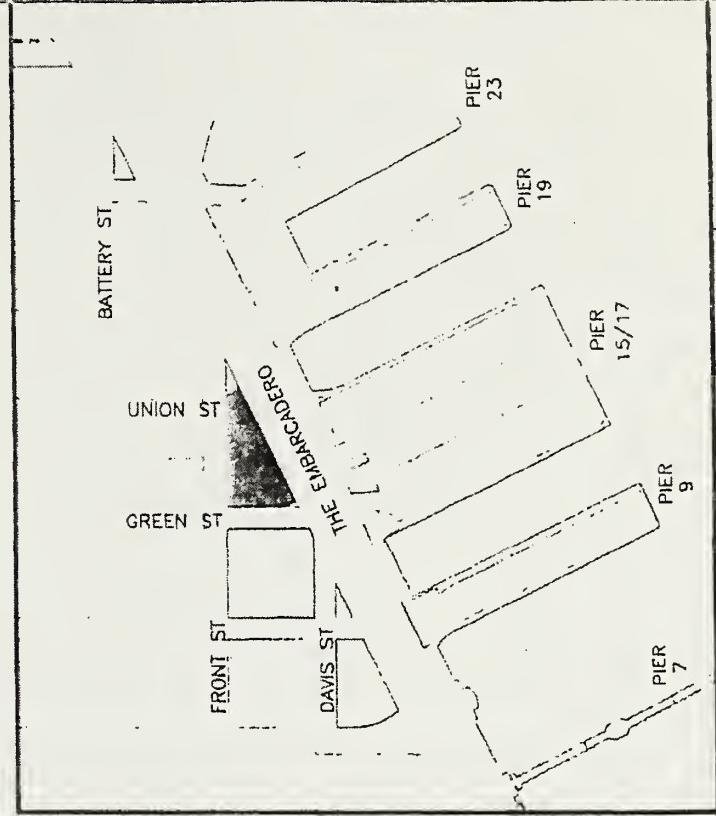
PROPERTY LINE

SEAWALL LOT 320  
HAS BEEN CONVERTED  
INTO A GREEN AREA



UNION ST

THE EMBARCADERO  
THE EMBARCADERO



LEASE NO. SAN FRANCISCO PORT COMMISSION  
PORT OF SAN FRANCISCO  
PORT DEPARTMENT OF ENGINEERING

SEAWALL LOT  
321

DRAWN BY: ECC	DATE: JAN 7, 2009
CHECKED BY: J. BAUER	SCALE: 1"=60'
PLATE CODE NO.	SHEET NO.
3210-00	OF SHEETS



LINE OF PORT JURISDICTION

FRONT ST

MONUMENT LINE

PROPERTY LINE

SEAWALL LOT 322-1

AREA = 37,810.0 Sq Ft

137.50'

BROADWAY ST

BATTERY

FRONT ST  
JACKSON ST  
DAVIS ST

PIER 15/17  
PIER 9  
PIER 7

TENANT SAN FRANCISCO PORT COMMISSION  
PORT OF SAN FRANCISCO  
PORT DEPARTMENT OF ENGINEERING

LEASE NO.

SEAWALL LOT  
322-1

DRAWN BY: EEC	DATE: JAN 7, 2009
CHECKED BY: J BAUER	SCALE: 1"=80'
PLACE CODE NO.	SHEET NO.
3221-00	OF SHEETS



VALLEJO ST

DAVIS ST

PROPERTY LINE

MONUMENT LINE

LINE OF PORT JURISDICTION

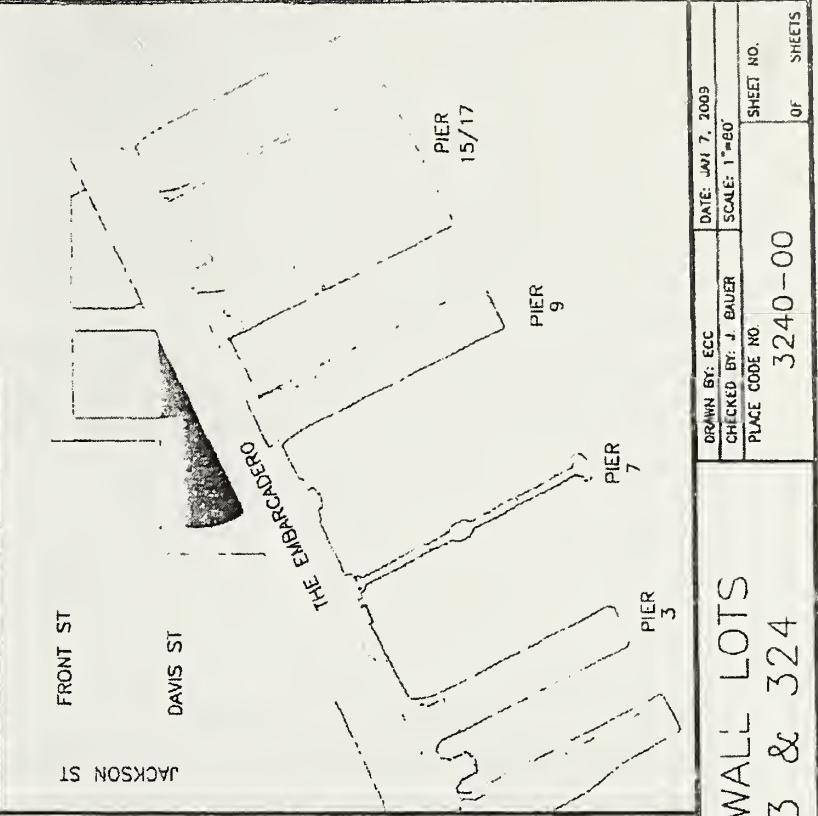
SEAWALL LOT 324  
AREA = 39,449.5 Sq Ft

PORTION OF VALLEJO ST  
AREA = 4,867.2 Sq Ft

SEAWALL LOT 323  
AREA = 9,627.2 Sq Ft

BROADWAY ST

PORTION OF DAVIS ST  
AREA = 2,962.4 Sq Ft



TOTAL AREA SHOWN  
= 56,906.3 Sq Ft

LEASE NO.	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO PORT DEPARTMENT OF ENGINEERING SAN FRANCISCO	RENTAL AMOUNT	SEAWALL LOTS 323 & 324	DATE: JAN 7, 2009 CHICKED BY: J BAUER PLACE CODE NO. 3240-00	SCALE: 1"=80' SHEET NO. OF SHEETS
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## MEMORANDUM

October 17, 2013

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Willie Adams  
Hon. Leslie Katz  
Hon. Mel Murphy

**FROM:** Monique Moyer *M. Moyer*  
Executive Director

**SUBJECT:** Informational Presentation on a Memorandum of Understanding with the San Francisco Mayor's Office of Housing and Community Development regarding affordable housing development at Seawall Lot 322-1 (located at Broadway and Front Streets)

**Director's Recommendation:** Informational Only – No Action Required

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### EXECUTIVE SUMMARY

The purpose of this memorandum is to inform the Port Commission regarding a proposed collaboration between the Mayor's Office of Housing and Community Development (Housing Office) and the Port to pursue the feasibility of developing a third affordable housing project on SWL 322-1 (Site). State Assembly Bill 2649 permits the lifting of public trust use restrictions from the Site to allow development of affordable housing. San Francisco Board of Supervisors' Ordinance No. 232-12 authorizes the Port to lease the Site and receive Jobs-Housing Linkage Program credits (Jobs/Housing Credits) for its fair market value. Port and the Housing Office are now at a juncture where they need to pursue the feasibility of affordable housing on the Site. Port and Housing Office staffs have initiated discussions on a Memorandum of Understanding (MOU) to allow the Housing Office to secure a non-profit affordable housing development partner.

Port staff began public outreach on this concept in 2011 and presented the concept jointly with Housing Office staff at the August 28, 2013 meeting of the Northeastern Waterfront Advisory Group (NEWAG). Staff will be presenting this proposal to the Barbary Coast Neighborhood Association (BCNA) and Telegraph Hill Dwellers (THD)

**THIS PRINT COVERS CALENDAR ITEM NO. 8A**



before requesting Port Commission approval of the MOU. More details about the MOU and next steps are discussed in the remainder of this Staff Memorandum.

## BACKGROUND

The Port of San Francisco owns and manages 7.5 miles of bayfront lands in trust for the State of California. Use of these Trust lands excludes the development of housing. Nevertheless, in 1987, the California State Legislature approved two Port sites in the South Beach neighborhood for affordable housing use which led to the development of Delancey Street and Steamboat Point (Bridge Housing). These were developed under a master lease with the former San Francisco Redevelopment Agency.

The Port faces many challenges in developing its properties to their highest and best use, including Pier 70. These challenges include expensive piles to support buildings on tidelands, high historic building rehabilitation costs, high building costs in an historic district, environmental remediation cost, complex regulatory compliance cost including development impact fees, and shoreline park/open space (public access) cost. In November 2011, staff informed the Port Commission about staff's effort to pursue strategies to address these challenges facing Pier 70. One proposed strategy involves leasing Port inland sites in the Northeastern Waterfront, no longer needed for trust purposes, for affordable housing use and using the funds generated from their dispositions to offset the high costs of redeveloping Pier 70. Precedents for affordable housing on the Port's property include the Delancey Street mixed-use development on SWL 332 consisting of 177 residential units and ground floor commercial space; and the Steamboat Point mixed-use development on SWL 333 consisting of 106 residential units and ground floor commercial space.

During the November 2011 meeting, staff also discussed options for meeting the City's affordable housing requirements, particularly for the anticipated commercial developments in Pier 70 that will have to pay significant affordable housing impact fees per City regulations. These Jobs-Housing Linkage Program impact fees are charged to offset the new demand for affordable housing generated by new commercial developments. With between 2,200,000 to 3,000,000 square feet of commercial development proposed at Pier 70, the Port will have to contribute millions of dollars in affordable Jobs/Housing impact fees.

State Senate Bill 815 (2007, Migden) authorized, among other things, the Port to lease certain seawall lots in the central waterfront (most notably SWL 337 and SWL 330) for non-trust purposes including housing, for a period of up to 75 years at fair market value to generate revenues for the Port's Harbor Fund. Since the Site was not included in Senate Bill 815 Port staff, after consulting with the Port Commission, pursued legislation which led to the adoption of State Assembly Bill 2649 (2012, Ammiano) which added the Site to SB 815 seawall lots that could be leased for non-trust uses and authorized the Port to lease it for an affordable housing development at fair market value subject to the California State Lands Commission making findings that this lot is no longer useful for trust purposes.



Port Staff also gained San Francisco Board of Supervisors adoption of Ordinance No. 232-12 which provides for the Port to receive fair market value if it enters into below-market leases with the Housing Office for affordable housing on the Port's seawall lots identified as no longer useful for trust purposes. The Board also authorizes, among other things, the Port and the Housing Office to enter into an MOU providing for the Port to receive Jobs/Housing credits equal to the difference in the value of a Port below-market lease to the Housing Office and the fair market value of the leased land.

These two pieces of legislation create the authority to develop affordable housing on SWL 322-1 through the Housing Office and for the Port to receive Jobs/Housing Credits in the amount of the Site's fair market value. These Jobs/Housing Credits would offset Jobs-Housing Linkage Program impact fees to be charged against commercial developments in Pier 70. The specific project(s) and budget line-items benefiting from this offset will be determined through negotiations with Port's private development partners at the appropriate time. This mechanism allows the development of a long vacant parking lot at SWL 322-1 into a new structure that will help address one of the City's pressing needs - affordable housing. Additionally, it will provide a Jobs/Housing Credit that will help address the feasibility gap at Pier 70 developments.

## SITE INFORMATION AND ANALYSIS

The Site is bounded by Broadway, Front and Vallejo Streets and buildings to the east as shown in Exhibit "A" attached. The Site is a paved, flat, rectangular land parcel, approximately 37,810 square feet in area; and it is currently being used as surface parking leased on a month-to-month basis to Priority Parking. The Site is approximately 500 feet from the shoreline and under current estimates of sea level rise would not be affected in 2050 and only small portions of the site identified as becoming inundated under current estimates of 2100 sea levels. Anticipated impacts of climate change will be addressed during site and building design phases.

Current zoning for the Site is C-2 (Community Business), which allows residential as a permitted use; ground floor retail and podium parking may be appropriate companion uses subject to feedback during the entitlement process. The Site is in the City's Northeast Waterfront Historic District and a 65-foot height limit is set for the Site. Given the Site's development potential, and its location upland, away from the water, it appears to offer the greatest affordable housing development opportunity among the Port's seawall lots in the northeastern waterfront. Staff has requested the City's Director of Real Estate procure an appraisal to determine the Site's fair market value.

Currently the Site generates about \$570,000 annually or \$47,000 per month, in rental revenue to the Port. Because of the significance of the revenue to the Port's Harbor Fund, Port Staff has explored how the proposed development can continue to generate a revenue stream. One way to achieve this aim is to include public parking as a ground floor use in the project. The Port should consider paying for the incremental construction cost that podium parking would add to the overall project development cost. Including public parking in the project will accommodate nearby businesses that currently rely on the 151 self-park spaces (or 225 valet parking spaces) available at the Site.



## **PROPOSED MOU**

Port and Housing Office staffs have been working together to implement the provisions of the above-noted legislations. The Housing Office will manage a solicitation process to secure an affordable housing developer and lead development negotiations with the selected developer. During the negotiation period, Port staff will work with the Housing Office and the developer to test the feasibility of including public parking in the project. The Housing Office and the selected developer are responsible for funding the project's predevelopment, construction, and operation phases, except for the incremental construction cost of the public parking garage if Port determines, at its sole discretion, that the garage is feasible. Based on the Board legislation, neither the Housing Office nor the selected developer shall pay more than \$1 in rent per year; instead, the Port will receive Jobs/Housing Credits in an amount equal to the site's value as compensation for this use. The proposed MOU is structured to incorporate the following concepts:

1. The Term of MOU. A three-year term is proposed because entitlement and project approval usually take more than two years. Any extension of the term is subject to additional Port Commission approval. It is proposed that the Port's or the Housing Office's Executive Directors be authorized to extend any of the benchmark dates set for developer's performance schedule during the term without further Port Commission action. Staff will provide the Port Commission with periodic updates about the MOU and project progress.
2. Project Description: The proposed project will be a new affordable housing building with apartments located above a parking podium. The podium level will include, among other things, public parking and retail space with the amount of public parking and retail space determined by the design and entitlement requirements of the project. The type of affordable housing units and the level of affordability are to be determined by the Housing Office and the developer with appropriate public input.
3. Basic Deal Structure: The Housing Office will secure a developer who will enter into a 75-year lease with the Port to build the project. The Housing Office and developer will pay the Site's fair market value; however, instead of paying with cash, the Housing Office will provide the Port with a Jobs/Housing Credit equal to the Site's appraised value less the prorated Site value allocated to the garage and the garage's incremental construction cost if the garage is deemed feasible. The Housing Office will enter into a separate MOU with the Port governing the accounting of the Jobs/Housing Credits awarded. The Housing Office and the developer are responsible for all entitlement and project approvals including stakeholder outreach and California Environmental Quality Act ("CEQA") review. The Port will provide no project funding except for the limited cost of seeking approval from the California State Lands Commission. The lease will include a nominal annual rent of \$1; the Port will receive the Site's fair market value through a Jobs/Housing Credit.
4. Approval Process and Entitlements: The project is subject to a process of thorough public review and input and all necessary and appropriate approvals. These include environmental review under CEQA and required discretionary approvals by applicable government bodies after public hearings and environmental review. Nothing



in the MOU would commit the Port, the Housing Office, or the City, or any other public agency to approve or implement the project until its CEQA review is completed.

5. Housing Office's Role and Responsibilities: The Housing Office will solicit and select the developer; address the project's overall financing needs, and its potential funding sources; cover developer solicitation cost; negotiate development transaction documents; and plan and manage project delivery, including the project timeline for attaining performance benchmarks. The Housing Office must follow the Port and City's public offering process that typically requires competitive bidding, ample public notice to make the public aware of the offering opportunity, local business participation requirements, public hearings, etc.

6. Port's Role and Responsibilities: The Port will assist the Housing Office in its negotiations with the developer regarding the garage and lease terms and in seeking stakeholders' support and State Lands Commission's approval.

## **COMMUNITY OUTREACH**

In 2011, when pursuing State and Board legislation, Port staff presented to the Port Commission, Northeast Waterfront Advisory Group (NEWAG) and Barbary Coast Neighborhood Association (BCNA) the concept of affordable housing on the Site developed in conjunction with the Housing Office and a nonprofit developer. After approval of the enabling legislation and consultation with the Housing Office staff, Port staff commenced public outreach. On August 28, 2013, Port and the Housing Office staff presented the proposed MOU to NEWAG, and its members present at the meeting expressed support for the MOU. The BCNA and the Telegraph Hill Dwellers (THD) will hold a joint meeting in November 2013 for the Housing Office and Port staff to present the project concept to neighbors and stakeholders. If the project moves forward, the developer and the Housing Office staff will convene public meeting for neighbors, BCNA and THD as the project evolves as part of a community review common to all Housing Office projects.

## **NEXT STEPS**

Subject to Port Commission direction, Port and the Housing Office will continue public outreach and thereafter return to the Port Commission for review and approval of the proposed MOU.

The MOU anticipates completion of a solicitation process within one year followed by a two-year exclusive negotiation period. This period will cover the design review, CEQA review, State Lands Commission and other regulatory reviews with opportunities for stakeholders' input. The Port Commission will receive periodic updates during the entitlement period. Following project entitlements, staff will present the refined development proposal and the proposed ground lease to the Port Commission for its consideration and approval. Escrow closing and construction would occur immediately thereafter.



Prepared by: Ricky Tijani, Manager  
Planning & Development

Through: Jonathan Stern, Assistant Deputy Director  
Waterfront Development

For: Byron Rhett, Deputy Director  
Planning and Development

Attachment:  
Exhibit "A" Site Map

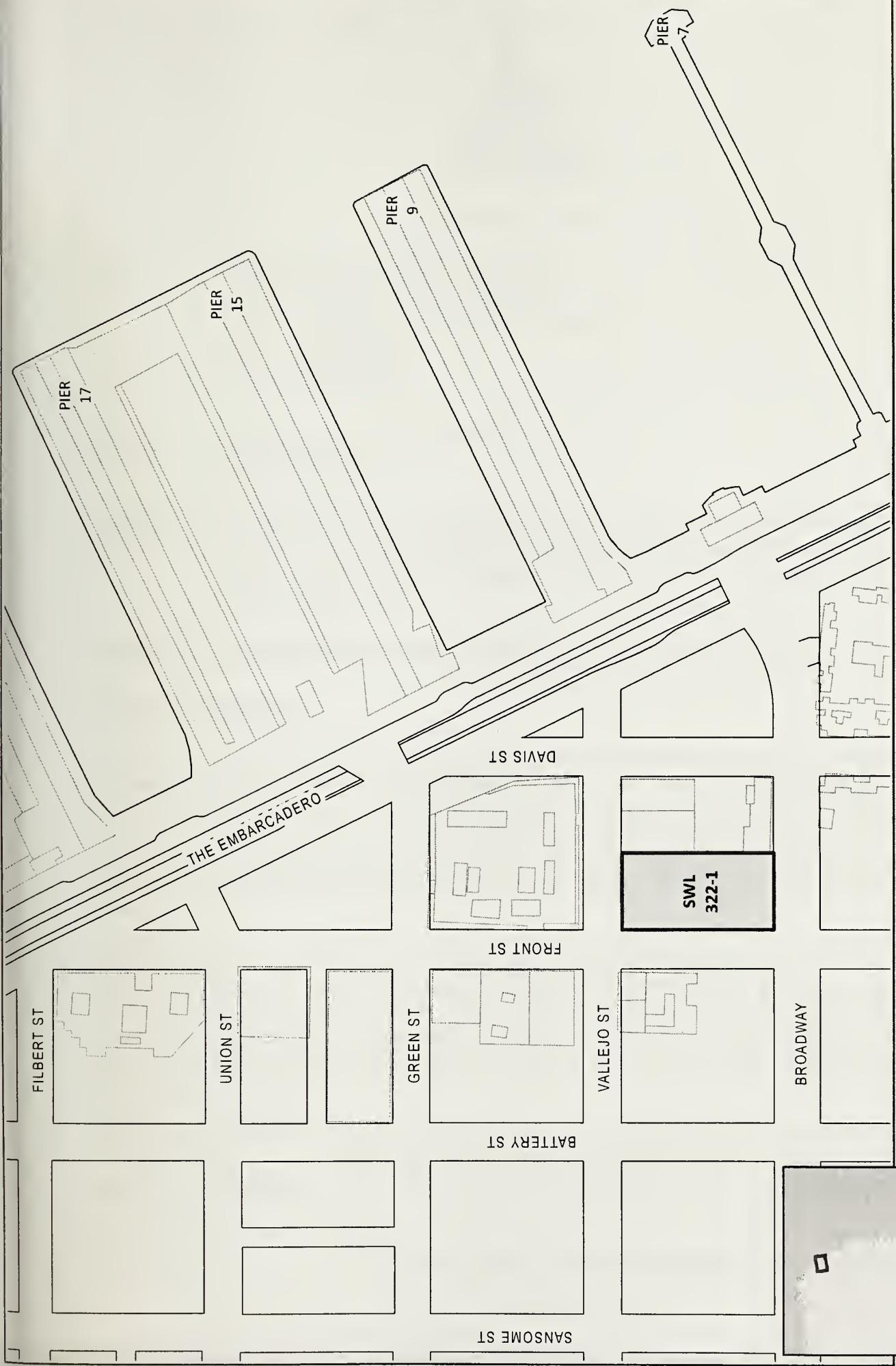


# EXHIBIT A: SWL 322-1

SITE LOCATION

PORT OF SAN FRANCISCO

G:\02-NORTHEAST WATERFRONT PROJECTS\SWL 322-1\SWL-322-1.MXD



SAN  
FRANCISCO





October 17, 2013

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Willie Adams  
Hon. Leslie Katz  
Hon. Mel Murphy

**FROM:** Monique Moyer *Moyer*  
Executive Director

**SUBJECT:** Informational report regarding the mixed-use development proposed by Forest City California, Inc. ("Forest City") for the Pier 70 Waterfront Site, bordered generally by 20<sup>th</sup> Street, Michigan Street, 22<sup>nd</sup> Street, and the San Francisco Bay

**DIRECTOR'S RECOMMENDATION:** Information Only; No Action Required

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**Executive Summary**

On May 28, 2013, the Port Commission adopted Resolution 13-20 endorsing the non-binding term sheet ("Term Sheet") between the Port and Forest City Development California, Inc. ("Forest City") for the mixed use development of the Pier 70 Waterfront Site (the "Project") on 28 acres at Pier 70 (the "Site," shown on Exhibit A). The Term Sheet was negotiated pursuant to the Exclusive Negotiating Agreement ("ENA") between the parties approved by the Port Commission on July 12, 2011 by Resolution 11-49.

On June 11, 2013, the Board of Supervisors approved Resolution 201-13 endorsing the Term Sheet by an 11-0 vote. The Board's endorsement of the Term Sheet concluded the Phase 1 milestones of the ENA. The parties have used the intervening period to assemble their project teams, examine and pursue interim leasing opportunities for the site, and develop a proposed schedule for Phase 2 milestones (shown in Exhibit B) required under the ENA.

The purpose of this staff report is to provide the Port Commission and the public with the first of a series of periodic updates regarding steps Forest City and Port and City staff have undertaken to fulfill the Phase 2 milestones of the project and to activate the

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Waterfront Site. It is anticipated that Phase 2, as more fully described below, will take 36 months to complete.

## **Phase 2 Milestones**

During Phase 2, Forest City is required to complete environmental review pursuant to the California Environmental Quality Act (“CEQA”) and negotiate final transaction documents (“Transaction Documents”) with the Port and City. Phase 2 will culminate in the approval of the Transaction Documents by the Port Commission and Board of Supervisors, where necessary.

The Transaction Documents will include, or may be accompanied by, the following documents:

1. Disposition and Development Agreement ("DDA")
2. Proposition D Land Use Plan and Special Use District
3. Proposition D Financing Plan
4. Development Agreement

City staff anticipate that these documents will be negotiated and drafted during the CEQA process and be ready for approval following CEQA. These documents are more fully described in Exhibit C.

During Phase 2, Forest City will also pursue approvals from all necessary regulatory agencies. Major regulatory approvals include:

1. A public trust swap within Pier 70 approved by the California State Lands Commission pursuant to AB 418 (Assemblymember Ammiano, 2011);
2. A Bay Conservation and Development Commission (“BCDC”) Major Permit for planned open space within BCDC’s jurisdiction; and
3. Approval of a stormwater management control plan to manage stormwater flows to San Francisco Bay.

While CEQA must be completed and approval of the Transaction Documents must be approved prior to issuance of the regulatory approvals, Forest City and Port and City staff will work on these approvals concurrent with the CEQA process.

## **CEQA Environmental Evaluation Application and Preliminary Project Assessment (“PPA”)**

The next Phase 2 milestone is the requirement that Forest City submit an environmental evaluation application (“EEA”) for the Project to Environmental Planning in the Planning Department. The ENA originally envisioned that the EEA would be submitted three (3) months after Board of Supervisors endorsement of the Term Sheet. Due to the parties’



desire to spend further time refining the Conceptual Land Use Plan for purposes of developing a CEQA project description, as described under CEQA and Conceptual Land Use Plan Next Steps below, Forest City requested an administrative extension for this milestone by 9 months from September 10, 2013, to March 10, 2014, which the Port Director granted on September 11, 2013.

In anticipation of filing the EEA, Forest City and the Port submitted an application to the Planning Department for a Preliminary Project Assessment. According to the Planning Department, “[t]he Preliminary Project Assessment (“PPA”) is a preliminary process that evaluates moderate to large projects before development applications are filed. This early viewing of the project provides sponsors with early feedback and procedural instructions, and also allows staff to coordinate early in the development process. The PPA application is not a development application. Issuance of a PPA letter is not a development approval or denial.”

The Planning Department issued its PPA letter to Forest City and the Port on August 15, 2013. A summary of the PPA Letter Recommendations is included in Exhibit D.

### **CEQA and Conceptual Land Use Program Next Steps**

As suggested in City Planning’s PPA Letter, and subject to Port Commission approval and further community outreach, Forest City and the City team intend to examine a development program that includes a higher proportion of residential development, within the overall proposed development footprint of 3.25 million gsf of vertical development. Increased residential density would result in corresponding reductions in commercial development. This alternative, coupled with the existing Conceptual Land Use Program, would provide the bookends of the development program that would support flexibility in the delivery of the project based on actual market demands and project performance as the project was being implemented. See Exhibit C for a summary of the Conceptual Land Use Program that was included in the Term Sheet.

Market conditions, including the increased demand for housing in the Dogpatch Neighborhood and the likelihood of mixed use development on the former Potrero Power Plant site, indicate that increasing the amount of residential development (with corresponding reductions in commercial development) may result in faster market absorption for the Project. In this scenario, increased residential density would likely be located along the southern portion of the Waterfront Site, along the border with the former Potrero Power Plant site, and away from the BAE Shipyard.

Consistent with RFQ goals and objectives, Forest City will assist the Port with entitlement of properties outside the Waterfront Site that will generate additional proceeds to the Port and the City. These sites are illustrated on the map attached as Exhibit A and include:

- 20<sup>th</sup> /Illinois Parcel. Subject to environmental review pursuant to the California Environmental Quality Act (“CEQA”) for the Project, these two parcels, which are



divided by 21<sup>st</sup> street, will be included in the SUD for the Waterfront Site, and will be fully rezoned with design controls.

- Hoedown Yard. The City is negotiating separately with PG&E for an option to acquire the Hoedown Yard. The current use of the site – soil recycling – is incompatible with the future development of Pier 70 and the transitioning nature of the neighborhood and adjacent uses. Subject to written agreement between the City and PG&E and environmental review under CEQA, Master Developer will include the site in the SUD for the Waterfront Site, and will be fully rezoned with design controls. The Port has requested a letter from PG&E requesting authorization to pursue rezoning and entitlement of the Hoe Down Yard site as a requisite to advance this exercise.

During the next four months, Forest City's design team will refine the land use plan and development program for the site, including evaluation of a development alternative with a higher amount of residential units (up to 2,000, compared to the 950 unit alternative described in the Term Sheet), as well as use, height and bulk options for the 20<sup>th</sup>/Illinois Street and Hoedown Yard parcels. City staff will join this design team for a series of working sessions over the course of the fall to provide input on the plans as they develop, and ensure that key design goals are met.

These working sessions will result in staff supported conceptual development plans for the Special Use District (the Waterfront Site, Illinois/20<sup>th</sup> St parcel and the Hoe Down Yard parcel) that includes a flexible use program of a lower and higher residential program within the same development envelope. This work will be presented to the Port Commission, the Central Waterfront Advisory Group and the community for their review and comment later this year. These efforts will also provide the framework for the Master Development Documents described above, including the Development Controls and Design Guidelines.

### **Waterfront Site Interim Leasing**

Pursuant to the ENA, the Port is obligated to deliver the Waterfront Site to Forest City when the Project is fully entitled. The ENA also contemplates continued interim leasing of the Site as long as the Port delivers exclusive possession of the Site to the Forest City when required under the Transaction Documents. Given planned Project phasing, market demand for industrial space, and the Port's near-term revenue needs, Forest City has supported an interim leasing plan for the Waterfront Site that will not interfere with future Project phasing.

Much of the Waterfront Site was previously leased to the Municipal Transportation Agency, which subleased the area to AutoReturn, the City's main towing contractor. AutoReturn vacated the site in June 30, 2013, increasing pressure on the Port to replace the associated lost lease revenues.

As shown in Exhibit E, Port Real Estate staff has been remarkably successful in leasing the Waterfront Site. Recently executed or planned leases include:



Pier 70 Waterfront Site Interim Leasing		
Lease L-15694 Yellow Cab	Premises	119,960 sf paved land
	Start	August 1, 2013
	End	July 31, 2016
	Port Relocation Rights	To another site after 25 <sup>th</sup> month Anytime, for a Port project
	Status	Executed
Lease L-15712 Boas International Motors	Premises	61,409 sf paved land; 4,260 sf of shed space
	Start	November 1, 2013
	End	July 31, 2016
	Port Relocation Rights	To another site after 25 <sup>th</sup> month Anytime, for a Port project
	Status	Out for signature
Lease L-15690 Affordable Self Storage, Inc.	Premises	75,325 sf paved land
	Start (Estimated)	January 1, 2014
	End	October 31, 2018
	Port Relocation Rights	To another site after 49 <sup>th</sup> month Anytime, for a Port project
	Extension Options	5 one year options at Port's sole discretion
	Status	Being finalized, subject to Port Commission and BOS approval
Lease L-15691 Affordable Self Storage, Inc.	Premises	217,775 sf paved land
	Start (Estimated)	January 1, 2014
	End	July 31, 2016
	Port Relocation Rights	To another site after 25 <sup>th</sup> month Anytime, for a Port project
	Status	Being finalized, subject to Port Commission and BOS approval

## Phase 0

An important component of Forest City's strategy for creating the next evolution of place at Pier 70 is a plan called "Phase 0." Comprised of a series of events and proposed interim leasing strategies, Forest City's Phase 0 effort is designed to introduce the general public, including the surrounding neighborhoods, to Pier 70's amazing historic resources, views and connections to San Francisco Bay. Forest City is committed to activating portions of Pier 70 with interesting events and activities for the local community to enjoy and experience the site. These events are intended to help seed the culture of the place that Forest City hopes to create during the next evolution of Pier 70.



### *Urban Air Market – August 2013*

Forest City kicked off its Phase 0 effort with an event at Pier 70 on August 18, 2013 via a partnership with the Urban Air Market – an open air market of local designers and makers. In developing the event – which attracted an estimated 5,000 visitors, including Mayor Ed Lee – Forest City and Urban Air Market worked closely with DNA, Workshop Residence, the Noonan Building artists, Off the Grid and the San Francisco Bike Coalition. The event included 100 local vendors, a kid's zone hosted by SCRAP and Whoops! Hula Hoops, 4 food trucks and a coffee cart, a beer garden with local beer and wine, music throughout the day, and a lounge area created by Spaces in the Dogpatch. Over 5,000 people attended from around San Francisco, 400 of whom rode bikes to the event. Local merchants in the Dogpatch neighborhood indicated increased sales and foot traffic of 25-50%.

### *Ghost Ship – October 2013*

Recently, Forest City has been working with the Ghost Ship team to bring a unique, family-friendly Halloween experience to Building 12 at the Waterfront Site on Saturday, October 26, 2013 from 12-5 PM. Ghost Ship will also host "The Abyss," a nighttime Halloween art-music event from 6-12 PM for adults.

Since its inception in 2008, Ghost Ship has been an extremely successful arts-focused Halloween event featuring several dozen large-scale installations, art cars and local musicians. The event has helped transform Treasure Island into an arts center, increased exposure of the neighborhood and helped boost commercial leases. Over the last five years, Ghost Ship Halloween has employed more than 300 local artists, 50 local musicians, as well as countless support staff, such as security, parking, sound, and lighting vendors through programs like Jobs Corps. Most importantly, since its foundation, Ghost Ship has had a flawless track record of safety and fun without a single incident of violence or a single call for service to any City agency.

This year, the Ghost Ship team has chosen the unique setting of Pier 70's Building 12 to host their event. The building's size and rusted look are ideal for a Halloween program. It is easily accessible by MUNI and bike, which allows them to improve upon their commitment to sustainability. The event will also be providing shuttle access from the SWL 337 (SF Giant's Lot A) parking facility in Mission Bay.

Using a model they developed for their Black and Gold event at Candlestick Park, which focused on engaging San Franciscan youth around athletics, the Ghost Ship organizers will be working with Forest City to plan an inspiring daytime program geared toward local youth. This "Kid's Ship" will feature hay mazes, rides, pumpkins, trick or treating, the beloved silent disco and a San Francisco Fire Department fire truck. The daytime portion will also include a sneak peek of the art, which has made the event what it is today.



### *Other Phase 0 Plans – 2014*

Forest City has been working diligently to develop proposals for Port Commission consideration for other Phase 0 activities that can introduce the public to Pier 70. These proposals are intended to create a standing presence at Pier 70 and will likely entail a proposal for use of space either along Illinois Street or in Building 12 in the Waterfront Site, or both, as shown on Exhibit E. When Forest City has finalized these plans, and City staff has had a chance to vet the proposals, staff will bring these Phase 0 proposals to the Port Commission for its consideration.

### **Planned ENA Amendment**

City and Port staff and Forest City have begun discussing potential amendments to the ENA which guides the negotiation between the parties. Proposed amendments would address City cost-reimbursement, the ENA fee structure, Phase 2 Milestone timelines, memorializing the Port's interim leasing program and related technical matters. Staff plan to bring proposed amendments to the Port Commission for its consideration later this fall.

### **Staffing Structure**

The Pier 70 Waterfront Site Project is an effort to build a new neighborhood, and as such, requires the assistance and input from multiple City agencies and staff. Port Director Monique Moyer and Waterfront Transportation Projects Director Jennifer Entine Matz have approved a staffing structure for the Project to ensure clear communication among the various City agencies and with Forest City. The staffing structure is attached as Exhibit F. Port staff intend to post this staffing structure, along with a related contact information, on the Port's website to assist members of the public who wish to interact with the Project.

Prepared by: Brad Benson, Port Pier 70 Waterfront Site  
Project Director  
David Beaupre, Senior Waterfront Planner  
Sarah Dennis-Phillips, Office of Economic and  
Workforce Development Project Director

For: Byron Rhett, Port Deputy Director  
Planning & Development  
Jennifer Entine Matz, Office of Economic and  
Workforce Development, Director of Waterfront  
Development

### **Exhibits**

Exhibit A – Site Map

Exhibit B – ENA Phase 2 Milestones

Exhibit C – Transaction Document Descriptions and Conceptual Land Use Program  
from Term Sheet

Exhibit D – Summary of Planning Department Preliminary Project Assessment Letter

Exhibit E – Waterfront Site Interim Leasing Map

Exhibit F – Waterfront Site Staffing Structure



**EXHIBIT A - SITE MAP**

PROPOSED WATERFRONT SITE SPECIAL USE DISTRICT - PIER 70  
PORT OF SAN FRANCISCO



G-05-SOUTHERN WATERFRONT PIER 70 GRAPHICS/WATERFRONT SITE, INTERIM RELEASE MADE

Bouyoucos/Hunter's Point



## Exhibit B: Phase 2 Project Milestones

<b>Final Phase II Performance Benchmarks (36 months)</b>	<b>Performance Date</b>	<b>Extension</b>
<b>CEQA Environmental Evaluation Application:</b> Developer must submit the environmental evaluation application for the Project	3 months after Board Endorsement	Administratively extended through March 2014
<b>Draft Environmental Impact Report:</b> Publish the draft EIR	15 months after EE Application	
<b>Final EIR Certification:</b> Planning Commission to certify the final EIR for the Project	3 months before Expiration of Phase 2	
<b>Rezoning/Prop D Plan:</b> Planning Commission to certify required rezoning for the Project as presented in the draft Prop D Plan; and Board to approve Prop D Plan	3 months before Expiration of Phase 2	
<b>Other Regulatory Approvals:</b> Developer to obtain State Lands approval of Tidelands Trust Exchange, BCDC approvals, and other necessary regulatory approvals by outside agencies	Expiration of Phase 2	
<b>Final Transaction Documents:</b> Developer and Port must reach final agreement on the form of LDDA, Lease and all related transaction documents	4 months before Expiration of Phase 2	
<b>Approval of Final Transaction Documents:</b> Port Commission to adopt Public Trust consistency findings and approve final Transaction Documents	3 months before Expiration of Phase 2	
<b>Board of Supervisor Approvals:</b> Board to approve Lease if required.	Expiration of Phase 2	



**Exhibit C: Transaction Document Descriptions  
and Conceptual Land Use Program (excerpt from Term Sheet)**

**Transaction Document Descriptions**

Phase 2 of the ENA will culminate in the approval of the Transaction Documents by the Port Commission and Board of Supervisors, where necessary, which will include, or may be accompanied by, the following documents:

**DDA:** The DDA will include a development phasing plan, series of long-term leases, a schedule of performance to build infrastructure and public benefits, a financing plan to pay for infrastructure and public benefits, and, most likely, parcel sale transactions for sites that will be developed as residential condominium sites.

**Prop D Land Use Plan and SUD:** Several policies have been adopted at the City and State levels to facilitate the development of Pier 70 including Proposition D (“Prop D”) a Charter amendment (codified primarily at sections B7.310-B7.320) authored by Supervisor Sophie Maxwell and adopted by voters in 2008.

The Conceptual Land Use Plan for the Project (attached as Exhibit C) applicable provisions of the Term Sheet, and the proposed Special Use District (“SUD”) that will rezone Pier 70 for mixed use development will be used as the basis for the proposed Prop D Land Use Plan. The parties will submit the Prop D Land Use Plan to the Port Commission and the Board for approval concurrently with the Transaction Documents. The parties contemplate entering a development agreement (“Development Agreement<sup>1</sup>”) pursuant to Administrative Code Chapter 56.

**Prop D Financing Plan:** In addition, Master Developer will assist the Port in preparing a Prop D Financing Plan. The parties will agree on whether the Port will submit the Prop D Financing Plan to the Board for consideration concurrently with or after the Transaction Documents. Before the parties complete the Prop D Land Use Plan, the Port will determine the need for a Prop D Financing Plan for Pier 70 public benefits outside the Waterfront Site, which may include open space, historic rehabilitation, or transit serving Pier 70.

**Development Agreement:** In addition to the DDA and the Proposition D Land Use and Financial Plans, the parties contemplate that the Transaction Documents will include a development agreement (“Development Agreement”) with the City pursuant to Administrative Code Chapter 56. The following is an excerpt from Chapter 56.2 Purpose and Applicability:

- (a) The purpose of this Chapter is to strengthen the public planning process by encouraging private participation in the achievement of comprehensive planning goals and reducing the economic costs of development. A development agreement reduces the risks associated with development, thereby enhancing

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<sup>1</sup> A Development Agreement, though similarly named, is separate from the Port’s Disposition and Development Agreement.



the City's ability to obtain public benefits beyond those achievable through existing ordinances and regulations. To accomplish this purpose the procedures, requirements and other provisions of this Chapter are necessary to promote orderly growth and development (such as, where applicable and appropriate, provision of housing, employment and small business opportunities to all segments of the community including low income persons, minorities and women), to ensure provision for adequate public services and facilities at the least economic cost to the public, and to ensure community participation in determining an equitable distribution of the benefits and costs associated with development.

(b) Such agreements shall only be used for (1) affordable housing developments or (2) **large multi-phase and/or mixed-use developments** involving public improvements, services, or facilities installations, requiring several years to complete, as defined below in Section 56.3, or a **housing development with a minimum of 1,000 units**, as defined below in Section 56.3; or (3) rental housing developments with on-site affordable units, as defined below in Section 56.3. (emphasis added)

The proposed Project meets the criteria of Chapter 56 for a development agreement.

### **Conceptual Land Use Program (Excerpted from Term Sheet)**

#### **Land Use Program**

The Master Developer proposes dividing the Waterfront Site into 20 to 25 buildable parcels which would be developed as a mix of commercial/office, retail, residential and parking uses. The Project will also include an "Innovation, Retail and Arts" use, which will include local-serving retail, arts and culture, small scale production, and market hall uses. These uses will permeate the street level environment, activating the Site and creating distinct character, which in turn will make the Waterfront Site a more attractive place to live and work.

The Project is proposed to include up to 3.25 million gross leasable square feet ("gsf") of above-grade development, comprised of newly constructed buildings ("Vertical Development") and historic rehabilitation of existing industrial buildings (the "Historic Improvements") consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties (the "Secretary's Standards"). This figure does not include square footage allocated to accessory and district parking or the 20<sup>th</sup>/Illinois Parcel.

The Term Sheet establishes the Vertical Development program at build-out as:

- a) Residential: 950 units in approximately 800,000 gsf of space, which may increase under the flexible zoning described under Site Zoning below
- b) Commercial, including Class A office and research and development space: up to 2.25 million gsf, adjusted according to the amount of residential and other commercial uses constructed at the site
- c) Innovation, Retail and Arts: up to 400,000 gsf, including up to 120,000 gsf of retail/arts or ancillary space in Buildings E-1A and E-1B and space in the ground floors of commercial and residential parcels



The Term Sheet establishes the Historic Improvements program as:

- d) Buildings 12 and 21: approximately 115,000 gsf of retail/arts or ancillary space and approximately 60,000 gsf of commercial office use
- e) Building 2: approximately 110,000 square feet of residential development (about 120 units)

### **Open Spaces, Parks and Recreation**

The Project will include approximately 7 acres of new publicly accessible open space that connects the Waterfront Site with surrounding neighborhoods and the waterfront. The land use concept envisions these parks as a series of four open space “rooms.” These open spaces will benefit from adjacent new indoor uses that will attract visitors and, in some cases, help activate the open spaces.

The overall open space program is designed to complement the adjacent system of waterfront open spaces (the Blue Greenway/Bay Trail) and will be designed so that the “rooms” can be programmed distinctly but can also be experienced together as a single large open space. These park spaces will function as follows:

1. Market Square will be a courtyard-type open space bounded by two of the Waterfront Site’s historic resources, Buildings 2 and 12. Market Square will be the most intimate open space at the Waterfront Site and will be activated by the adaptive reuse of Building 12. It will connect to the future Machine Shop Courtyard Open space planned for the Historic Core district of Pier 70 (being developed by Orton Development). Market Square is designed to accommodate special events and market days, which will complement the adjacent production uses and help activate the open space.
2. Slipways Commons will be the primary open space that connects the Waterfront Site’s historic resources to the waterfront. Slipways Commons will be a significant design feature of the Pier 70 Waterfront Site and generally aligns with the former World War II slipways that connect the water to Building 12. The Innovation, Retail and Arts ground floor uses adjacent to this open space will help activate the open space.
3. The Point will be a shoreline open space that connects with an extended 20<sup>th</sup> Street to the North and Slipways Commons to the south. This space will be a contemplative open space that offers great views to the ship repair dry dock operations and City skyline. The Blue Greenway will be aligned through this open space.
4. Slipway Promenade will be another shoreline open space that connects to Slipway Commons to the north and is accessible at the terminus of an extended 22<sup>nd</sup> Street. This open space will include the exposed ends of former slipways, which extend into the Bay and offer vistas of the Bay and City skyline. The Slipway Promenade will also be activated by ground floor retail, including restaurants and cafes. The Blue Greenway alignment will be through this open space, which is designed to connect with the future shoreline open space to be built at the former Potrero Power Plant site as part of that site’s redevelopment.



In addition to the open spaces described above, the Waterfront Site's design includes a series of small plaza areas adjacent to the historic buildings and more active recreational uses on the rooftops of parking garages adjacent to Irish Hill. The development of these parks and open spaces will be distributed among the Project phases to assure completion is concurrent with the completion of adjacent vertical development.

Parks and open spaces will be owned by and remain under the jurisdiction of the Port and will be programmed by Developer, subject to Port approval and conditions of the San Francisco Bay Conservation and Development Commission ("BCDC") major permit applicable to the Waterfront Site. Maintenance of the parks and open spaces is proposed to be funded by Mello-Roos special taxes imposed on privately-owned and occupied land and buildings on the Waterfront Site.

### **Historic Resources**

The Master Developer's plan for the Waterfront Site is consistent with the Port's plan for the treatment of the historic resources at Pier 70. The Port's Pier 70 Master Plan includes a historic preservation strategy based on extensive research regarding Pier 70's eligibility as a National Register Historic District. The Port has prepared the required nomination to the National Register of Historic Places. The Port will take the lead in securing the historic district designation, which will allow access to historic preservation funding sources and provide a framework for preservation and revitalization of the district. The Pier 70 Master Plan recognizes that significant new development is required to fund the historic preservation and establishes design guidelines to integrate that new development with historic preservation.

The Plan anticipates that some existing historic buildings will need to be removed from the Waterfront Site and that others can benefit from adding useable floor area. At the Waterfront Site, Buildings 2, 12, and 21, which total approximately 260,000 square feet, will be preserved. Their rehabilitation must comply with both the Secretary's Standards and the overall vision for the Pier 70 National Register Historic District.

These buildings will provide the foundation for an authentic, interesting, and attractive place that preserves historic neighborhood character, but urban design is also critical to achieving these historic district goals. The Pier 70 Preferred Master Plan's Infill Design Criteria include guidelines for preserving and highlighting historic qualities including the landscape, Bay shoreline, and the urban and industrial pattern of streets, rail lines, slipways, and docks. The Waterfront Site has been designed with special attention to these considerations. The Project's proposed development density will further highlight the Waterfront Site's historic character by restoring the Site to historic population levels.

### **District Parking**

Up to three of the Waterfront Site's parcels will hold structured parking ("District Parking" facilities) totaling approximately 1,200 parking spaces. A portion of these parking spaces will be allocated to the occupants of buildings that contain no parking or insufficient parking. This District Parking approach will reduce the Project's costs, as parking spaces within parking structures can be built in later Project phases and are



less costly to build than parking spaces in mixed-use buildings, which in turn will make the underlying Port land more valuable. Because the District Parking will be provided in three separate garage structures, the Port and Forest City will be able to periodically re-examine parking needs and consider reduced parking ratios in later phases if justified by improvements in transit service to Pier 70. Reducing total parking would further reduce project costs in addition to supporting the City's transportation goals and allow the required land to be used for other residential or commercial development. The Term Sheet also provides that if the Port identifies additional funding, the District Parking Facilities may be increased in size to accommodate other Pier 70 parking needs, such as parking for the 20<sup>th</sup> Street Historic Core.

The final transaction documents will include an agreement on how District Parking Facilities will be financed, owned, and managed. The Term Sheet describes a preferred public financing strategy for the District Parking Facilities and several other financing strategies that the parties will continue to explore until the final Transaction Documents are prepared. Each of these strategies contemplates Port control of the garages once any Master Developer capital has been repaid, with a reasonable return.

### **Affordable Housing**

New rental housing built for the Project will meet City inclusionary housing requirements. The Port and Master Developer will explore the feasibility of producing 80/20 tax credit projects in which individual residential rental buildings would include 20% inclusionary housing. The tax credits would enable the Project to deliver a greater number of affordable onsite units without increasing costs.

The Master Developer will continue to work with the City, including the Mayor's Office of Housing, to develop a preferred affordable housing strategy for possible condominium development and to explore other alternative ways to meet affordable housing requirements. Regardless of what types and percentages of affordable housing the Project provides, that affordable housing must be delivered in a balanced manner throughout the phasing of the Project.

### **Site Zoning**

The Master Developer and the Port will work with the Planning Department to establish the development parameters for the Project through a Special Use District ("SUD"), which will be incorporated into the City's Planning Code after environmental review is complete and the Project has been approved by appropriate Port Commission, Planning Commission, Board, and other regulatory actions. The Waterfront Site is currently zoned M-2 (Heavy Industrial).

A critical element of the design proposal for the Project is the need for flexibility to respond to future market demands. The proposed SUD will designate certain parcels as residential, certain parcels as commercial, and certain parcels to be zoned flexibly to respond to future market conditions, subject to a Waterfront Site-wide maximum of 3.25 million gsf.



Master Developer intends to propose that the SUD establish the following for the Waterfront Site, among other controls on development:

permitted uses, including flexible zoning to permit designated Development Parcels to be developed for either commercial or residential uses to allow for development that responds to market conditions<sup>2</sup>;

height limits ranging from 30 feet to 230 feet;

building controls regarding density, massing, and tower separation; and

parking controls consistent with the parking ratios described in the Term Sheet.

A key design tenet is to retain lower-scale buildings over the slipways and to consider how best to locate height in relation to historic structures, open space, and the waterfront, while also incorporating the density necessary to support required infrastructure costs, project feasibility, and foot traffic. To retain this required density, a limited number of taller structures of up to 230 feet in height could be located on the Waterfront Site, within identified height zones. Community design engagement is ongoing and will further assist in defining the heights, which will likely be represented in the SUD as ranges corresponding to particular uses and parcels.

Master Developer will work with Planning and Port staff to develop design guidelines for development parcels included in the SUD that will inform design review. Following Planning Commission and Board approval of the SUD and related actions, the Port staff will request Port Commission actions to amend the Waterfront Land Use Plan to incorporate the SUD's development controls and limitations and the Waterfront Design and Access Element of the Waterfront Land Use Plan to incorporate design and design review guidelines for the developable parcels in the SUD.

### **Sustainability**

The Master Developer will implement a Sustainability Plan that will provide a comprehensive strategy for the Project to exhibit the concepts and practices of sustainable community development throughout the lifespan of the Project. The Master Developer will collaborate with the Port and the City, specifically the Department of the Environment, the Planning Department, and the Port Planning Division, to develop the Sustainability Plan, which will be included in the final development agreement.

Multiple sustainable site strategies are being considered from the outset of horizontal development to enable vertical development design proposals to exceed compliance with Port Building Code requirements and achieve Project goals for integrated sustainable design and a low carbon community. The Project will also pursue status as

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<sup>2</sup> Master Developer and Port will examine different flexible zoning arrangements during the Project entitlement phase, including Project variants with up to 2,000 residential units and corresponding reductions in commercial space within the sitewide maximum development envelope of 3.25 million gsf of space. These Project variants will be subject to public review during the entitlement phase.



a Type 1 Eco-District<sup>3</sup> through the Planning Department's Eco-Districts initiative. Regardless of which specific sustainability approaches are implemented at the Waterfront Site, the Project will strive to be a leader in the realm of long-term sustainability planning and design.

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<sup>3</sup> Eco-Districts are characterized by a large amount of undeveloped land typically owned by a single property owner and are a strategy for integrating building and infrastructure projects. Type 1 Eco-Districts enable horizontal infrastructure development to be implemented in advance of vertical development to help optimize Eco-District goals. This type of Eco-District maximizes efficiencies in the delivery of goods provided by infrastructure through district-scale systems.



## **Exhibit D: Summary of Planning Department PPA Letter**

The Planning Department issued its PPA letter to Forest City and the Port on August 15, 2013. A summary of the PPA Letter Recommendations is included in Exhibit D. In addition to outlining detailed recommendations for consideration by Forest City, the letter recommends the following:

### **PPA Letter Recommendations for CEQA:**

The Environmental Evaluation Application should include a detailed project description that includes information such as project phasing, off-site improvements and a description of the planned SUD. Additional background studies that will be required as part of the environmental analysis will include:

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Aesthetics</li><li>• Transportation Study</li><li>• Archeological Study</li><li>• Historic Architectural Resources</li><li>• Hazardous Materials</li><li>• Air Quality</li><li>• Greenhouse Gas Emissions</li><li>• Geotechnical Study</li><li>• Noise Measurements</li></ul> | <ul style="list-style-type: none"><li>• Stormwater Management</li><li>• Sea Level Rise</li><li>• SFPUC Water Assessment and wastewater treatment capacity</li><li>• Shadow</li><li>• Wind Analysis</li><li>• Biological Resources</li><li>• Alternatives</li><li>• Project Approvals</li></ul> |
|---|--|

### **PPA Letter Recommendations for Planning Department Approvals**

Master Plan Adoption (which will occur concurrent with adoption of the Port's DDA) should entitle the broad land use program and building envelopment allowances at a master plan level, including:

1. Planning Code Text and Zoning Map Amendments (included in the SUD)
2. General Plan Amendments
3. Design Review and Entitlement Requirements
4. Master Development Documents, including:
  - a. Concept Plan
  - b. Development Controls and Design Guidelines
  - c. Streetscape and Open Space Plan
  - d. Transportation and Transportation Demand Management (TDM) Plan
  - e. Infrastructure Plan
  - f. Sustainability Plan
5. Shadow Study



Development Phase approval (which will occur after the City approves Transaction Documents and as Forest City initiates each development phase) should enable a given phase to move forward, including:

1. Development Phase Approval
2. Subdivision Map Approvals
3. General Plan Referrals

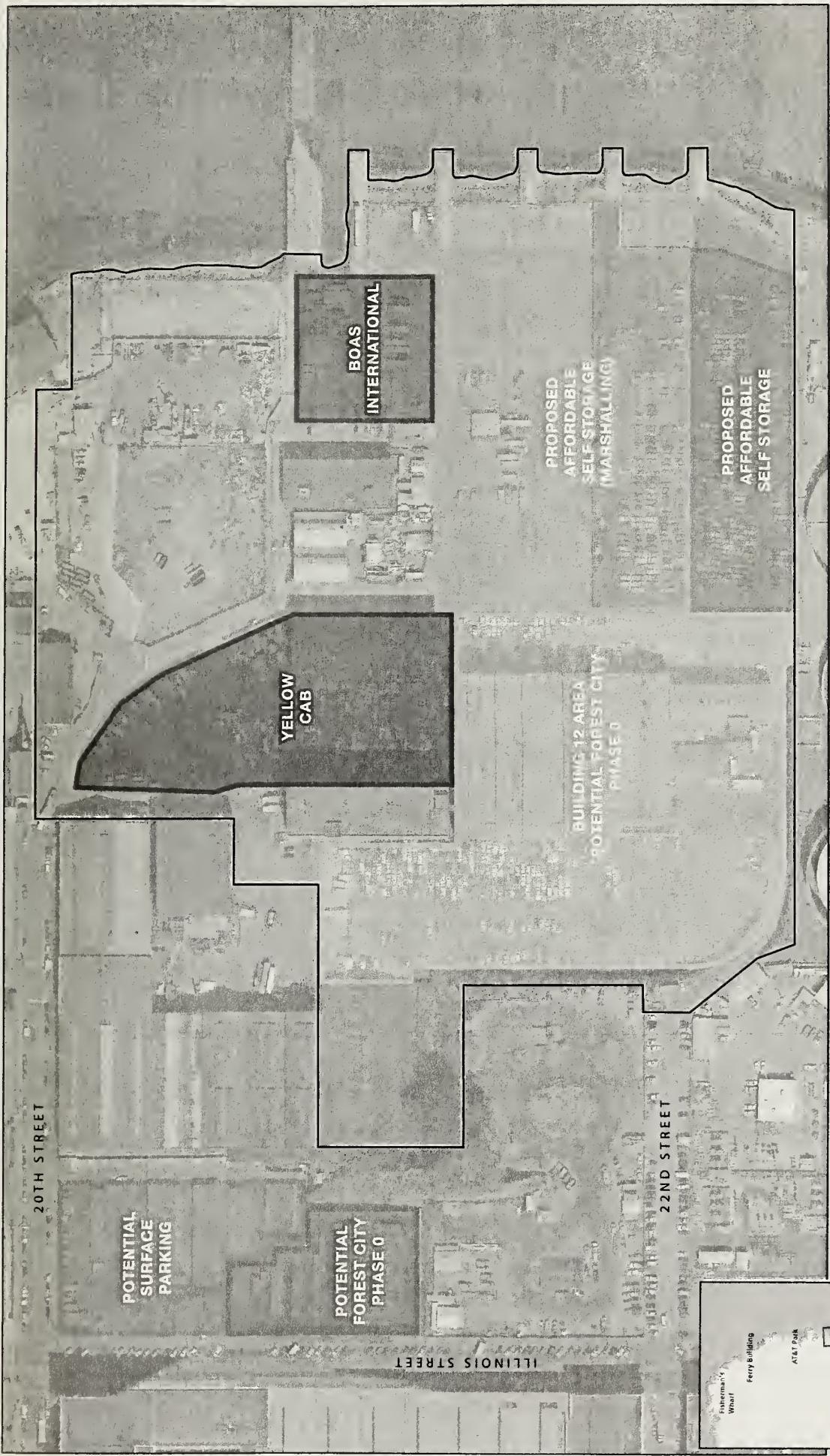
Additional design review and applicable City requirements will be required for individual buildings within each phase.

In Fall 2012, Forest City engaged in an intensive 5 month design and charette process with the City team (Port, Office of Economic Development, Planning Department, Municipal Transportation Agency) that identified many planning, urban design, transportation and other issues that would need to be addressed during subsequent planning stages. Most significantly, the PPA letter documented and expanded upon this prior work by providing detailed Planning Department comment and suggestions for additional analysis regarding:

- **Land Use**, including a recommendation to study an alternative with additional housing units to take advantage of current and planned transit access to the site;
- **Urban Design**, including suggestions for additional analysis of building heights and massing, active street walls and ground floor uses, relationships to adjacent sites (notably the former Potrero Power Plant site to the south), relationships between new structure and historic buildings (Buildings 2, 12, and 21), design of parking structures, and development variety;
- **Sea Level Rise** adaptation measures to respond to sea level rise through 2100;
- **Site Access, Circulation and Parking**, including street grid, connectivity and complete streets, pedestrian and bike circulation, transit improvements, transportation demand management, auto parking and loading and servicing (i.e., trucks);
- **Open Space**, including design, phasing and programming for various users; and
- **Historic Preservation** should be consistent with the Secretary of the Interior's Standards for Treatment of Historic Properties, including maintaining views from and to Building 12, and design guidelines for new construction that recognize the importance of the eastern façade of Building 113.

Forest City and the City team will respond to these recommendations by preparing an Environmental Evaluation Application for consideration by Environmental Planning in late 2013 and crafting a final proposed Project description in the 1<sup>st</sup> quarter of 2014. The parties envision conducting an Environmental Impact Report for the Project.





## EXHIBIT E - WATERFRONT SITE INTERIM LEASING MAP

PIER 70

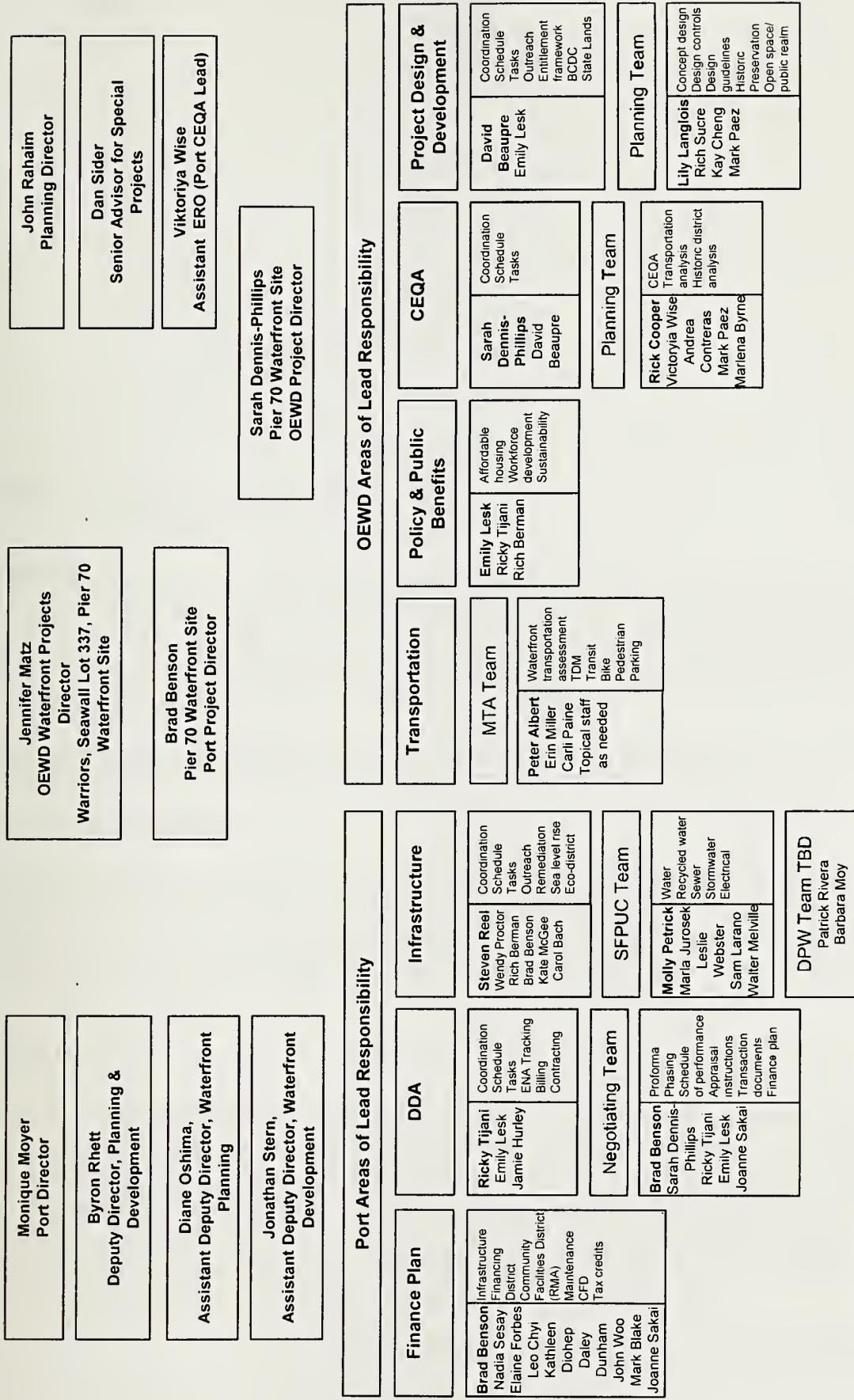
PORT OF SAN FRANCISCO

□ WATERFRONT SITE

GUS-SOUTHERN WATERFRONTPIER 70GRAPHICSWATERFRONTSITE-INTERIMLEASE.MXD



## Exhibit F: Pier 70 Waterfront Site Organization Chart



**Pier 70 Coordination Note:** Ricky Tijani and David Beaupre will lead monthly Pier 70 project management staff. Kathleen Diohep (Orion), Jonathan Stern, Diane Oshima, Mark Paez (Pier 70 Historic District Nomination), Jonathan Stern, Brad Benson, Steven Reel (Infrastructure), Carol Bach (Remedial Action Plan). This team meeting can be expanded to include staff from other departments as necessary.

**SWL 337 Coordination Note:** Pier 70 and Seawall Lot 337 project teams will coordinate regularly, by maintaining close contact between Port & OEWD Project Managers, through regular check-ins on process and content, and through joint meetings, as necessary.

**Waterfront Vision Coordination Note:** Port & OEWD Project Managers will coordinate regularly with Planning Department staff working on waterfront issues, including monthly check-ins on progress and content; and will report back to Port and OEWD management.





## MEMORANDUM

October 17, 2013

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Willie Adams  
Hon. Leslie Katz  
Hon. Mel Murphy

**FROM:** Monique Moyer *M. Moyer*  
Executive Director

**SUBJECT:** Request authorization to amend contract with Economic & Planning Systems, Inc. to provide additional real estate economics and related consulting services for the Pier 70 Waterfront Site, and to increase the contract amount by \$250,000 (or 50%) to \$750,000, and extend the term of the agreement for an additional 14 months

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**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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**EXECUTIVE SUMMARY**

Port staff is seeking authorization from the Port Commission to amend an existing professional services contract with Economic & Planning Systems, Inc. (EPS), to increase the maximum dollar amount by 50%, from \$500,000 to \$750,000. The proposed contract amendment will also extend the contract termination date from February 28, 2014 to April 30, 2015.

**BACKGROUND**

Port Commission Resolution 12-09, adopted by the Port Commission at its meeting of February 14, 2012, authorized the award of four contracts for as-needed real estate economics and related services to the following firms: (1) BAE Urban Economics, Inc.; (2) Economic and Planning Systems, Inc.; (3) Keyser Marston Associates, Inc.; and (4) Seifel Consulting, Inc. Resolution 12-09 specified that each of the four contracts would have a maximum contract value of \$500,000 and an initial contract term of three years, with an option to extend for a fourth year at the Port's sole discretion.

**THIS PRINT COVERS CALENDAR ITEM NO. 8C**



In accordance with the Port Commission's authorization, Port staff subsequently executed contracts with each of the four firms for an amount not-to-exceed \$500,000. The contract terms vary, but in each case the term is less than the three-year initial term authorized by Resolution 12-09. In the case of Economic & Planning Systems, Inc. the term of agreement is from May 1, 2012 to February 28, 2014, a total of 22 months.

All four contracts have been in active use by the Port for the past 18 months. During this period the consultants have provided valuable services to the Port through Contract Service Orders (CSOs) on a variety of ongoing Port projects at a variety of sites including Pier 70, Seawall Lot 337 & Pier 48, Piers 30-32 & Seawall Lot 330, Seawall Lot 351, Pier 38, and others.

Under the current contract, EPS has served as the Port's primary real estate economics consultant for two major development projects since May 2012: the Pier 70 Waterfront Site development proposed by Forest City California, Inc., and the Piers 30-32 Multi-Purpose Venue project proposed by the Golden State Warriors. EPS also assisted the Port recently in a much more limited capacity, in evaluating use options for the Eco-Center at Heron's Head Park.

In its capacity as prime real estate economics advisor to the City on the Piers 30-32 Multi-Purpose Venue project, EPS retained the services of Barrett Sports (Barrett), a nationally recognized consulting firm specializing in sports and entertainment complexes, and one of the most highly-regarded firms of this type that consults with local agencies in transactions of this type.

Barrett is not an LBE but was added as a subcontractor under the EPS contract. There are no certified San Francisco Local Business Enterprises that specialize in sports and entertainment complex economic consulting. In recognition of these factors, Port staff is considering seeking a retroactive waiver of the City's Contracts Monitoring Division (CMD) subcontracting goals for the EPS's Contract Service Order (CSO) for the Piers 30-32 Multi-Purpose Venue project only, so that the LBE participation on the overall contract is not skewed downward due solely to the unique circumstances of the Multi-Purpose Venue project.

Approximately six months ago, the Office of Economic and Workforce Development (OEWD) entered into a contract with EPS and the contract work on the Piers 30-32 Arena project shifted away from the Port contract to the OEWD contract. The primary purpose of that change was to preserve the Port's limited capacity under the current \$500,000 contract limit. EPS continues to serve as consultant to the Port/City on the Pier 70 Waterfront Site project, providing negotiation support to the Port/City project team.

At present, despite moving the Piers 30-32 Multi-Purpose Venue project assignment to OEWD, there is approximately \$25,000, or 5%, of authorized funds from the \$500,000 maximum contract value remaining. In addition, only about five months of term remain under the current contract. As there is a significant amount of work to be done over the next 18-24 months as the Port/City team continues to negotiate with Forest City California, Inc., on a Development & Disposition Agreement (DDA) for the Pier 70 site, Port staff is seeking authorization to increase both the amount and term of the



agreement with EPS. Specifically, the amended contract would increase the maximum compensation by \$250,000 for a new maximum amount of \$750,000, and extend the contract termination date by 14 months, to April 30, 2015. These amendments would pertain solely to work on the Pier 70 waterfront Site.

## **PROPOSED SCOPE OF WORK FOR CONTRACT AMENDMENT**

Under the existing as-needed contract, the role of EPS along with its subcontractors is to serve as an adviser to the Port on financial, economic, and land use issues related to specific Port projects and provide negotiation support to the Port/City project teams leading those projects. For the Pier 70 Waterfront Site, which as noted above is currently the only project on which EPS is working under the Port contract, EPS has provided the Port with a proposed scope of work to support DDA and ground lease negotiations and to assist the Port in developing a Financing Plan for the project.

Broadly, the proposed work program for EPS includes the following four tasks:

Task 1: Perform Financial Analysis; Update and Maintain Pro Forma

Task 2: Attend Negotiation and Other Meetings

Task 3: Financing Plan Development

Task 4: Real Estate Market Analysis and Research

EPS and its sole subcontractor on the Pier 70 project to date, Century Urban, propose to work jointly to provide this support. Century Urban is a certified San Francisco Local Business Enterprise (LBE). To date, Century Urban has performed 27% of the Pier 70 project work.

## **PROPOSED FEES**

EPS' services will be billed on a time and materials basis, according to the hourly billing rates that are already established in the contract. For the proposed scope of work described above, the estimated total not-to-exceed amount is approximately \$220,000 or an average of about \$12,000 per month over the next 18 months. The additional scope of work, as proposed, would be evenly split between EPS and Century Urban, thus resulting in an LBE participation rate of approximately 50% for the additional contract value.

## **LOCAL BUSINESS ENTERPRISE (LBE) PARTICIPATION**

The CMD established a 22% LBE subcontracting goal for each of the four as-needed real estate economics consulting contracts. EPS has billed approximately \$475,000 through September 2013, leaving approximately \$25,000 remaining under the current \$500,000 contract amount. EPS has achieved LBE participation of approximately 19% of the total amount invoiced to date, less than the 22% goal. If work performed by Barrett Sports is excluded from the analysis of LBE participation on the contract, EPS will have achieved an LBE participation at a rate slightly above the 22 percent goal to date. With Century Urban's participation in the new scope and budget as described above, the LBE subcontracting rate for the total contract amount will exceed 22% by the time the work is



complete, even with the Piers 30-32 Multi-Purpose Venue project CSO included in the calculation.

## **FUNDING**

The total cost for the proposed additional tasks for the 18-month period (October 2013 through April 2015) is estimated at approximately \$220,000. The addition of a modest contingency (approx. 13%) brings the total requested budget increase to \$250,000. The source of funds is the Port's operating budget for professional & specialized services. The Harbor Fund will be fully reimbursed by Forest City California, Inc. for this expense per the Exclusive Negotiations Agreement (ENA) between the Port and Forest City California, Inc.

## **CONTRACT MANAGEMENT**

In order to manage contract expenses for these proposed services over the next 14 months, City staff is requesting that EPS-Century Urban provide line-item estimates for requested tasks before work commences, and will manage work according to task estimates.

In addition, the City team is meeting with EPS-Century Urban to develop a complete list of research and related requests to support the negotiation through the drafting of the Disposition and Development Agreement ("DDA") for the Pier 70 Waterfront Site, in order to be able to prioritize task requests within available budget.

## **RECOMMENDATION**

Port staff request Port Commission authorization to amend the contract with Economic & Planning Systems, Inc. for real estate economics and related consulting services, by increasing the contract amount from \$500,000, to \$750,000, and extending the contract termination date from February 28, 2014 to April 30, 2015. The contract amendment will provide the Port/City project team working on the development of the Pier 70 Waterfront Site with additional expertise to negotiate the DDA with Forest City California, Inc.

Prepared by:                   James Hurley, Feasibility Analyst  
                                       Brad Benson, Director of Special Projects  
                                       Andrés Acevedo, Contracts Manager

Prepared for:                   Elaine Forbes, Deputy Director of Finance & Administration  
                                       Byron Rhett, Deputy Director of Planning & Development



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 13-43**

WHEREAS, the Civil Service Commission, at its meeting on August 1, 2011, approved the Port's proposal to enter into personal services contracts for as-needed real estate economics and related consulting services in an amount not to exceed \$2,000,000, to be divided into four separate contracts, each with a not to exceed amount of \$500,000 and an initial term of three years and an option to extend for an additional year at the Port's sole discretion; and

WHEREAS, the Port Commission, at its meeting on February 14, 2012, adopted Resolution No. 12-09, authorizing award to: (1) BAE Urban Economics, Inc.; (2) Economic & Planning Systems, Inc.; (3) Keyser Marston Associates, Inc.; and (4) Seifel Consulting, Inc., individual contracts for as-needed real estate economics and related consulting services, each in an amount not to exceed \$500,000, with an initial term of three years and an option to extend the term for an additional year at the Port's sole discretion; and

WHEREAS, Port Commission Resolution No. 12-09 authorized Port staff to execute necessary contract documents, in such form as approved by the City Attorney's office, for such purpose; and

WHEREAS, Pursuant to Resolution No. 12-09, Port staff subsequently entered into a contract with Economic & Planning Systems, Inc. (EPS) for as-needed real estate economics and related consulting services; and

WHEREAS, the Port's contract with EPS provides for a maximum compensation of \$500,000 and term of 22 months from May 1, 2012 through February 28, 2014; and

WHEREAS, under the direction of Port staff, EPS has rendered services and billed for approximately 95% of the \$500,000 contract amount as of October 2013; and

WHEREAS, Port staff anticipates the need for additional consulting services from EPS over the next 18 month period to provide continued negotiation support and economic analysis related to the Pier 70 Waterfront Site project; and

WHEREAS, EPS and Port staff have negotiated a satisfactory fee proposal of \$250,000 for these additional services and a proposed extension of 14 months to the existing contract term; and



WHEREAS, Port staff recommends that the Port Commission authorize an amendment to the EPS contract for such additional consulting services upon such terms; and

WHEREAS the proposed contract amendment will provide for cumulative participation of Local Business Enterprises (LBE) in excess of the current 22% LBE subcontracting goal for this contract; and

WHEREAS, the Port has allocated sufficient funding in its annual operating budget for these professional and specialized services related to planning and development at Pier 70; and

WHEREAS, the Port will be reimbursed for the expenditure of its operating funds for the payment of invoices for consulting services pursuant to the Exclusive Negotiations Agreement (ENA) between the Port and Forest City California, Inc. ; now, therefore be it

RESOLVED, that the San Francisco Port Commission hereby authorizes Port staff to execute an amendment to the existing contract with Economic & Planning Systems, Inc., increasing the contract amount by \$250,000, resulting in an amended Contract amount not to exceed \$750,000, and extending the term by 14 months to expire on April 30, 2015.

*I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of October 22, 2013.*

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Secretary









# **SAN FRANCISCO PORT COMMISSION**

**OCTOBER 22, 2013  
MINUTES OF THE MEETING**

GOVERNMENT  
DOCUMENTS DEPT

NOV - 8 2013

**MEMBERS, PORT COMMISSION**  
**HON. DOREEN WOO HO, PRESIDENT**  
**HON. KIMBERLY BRANDON, VICE PRESIDENT**  
**HON. WILLIE ADAMS**  
**HON. LESLIE KATZ**  
**HON. MEL MURPHY**

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**MONIQUE MOYER, EXECUTIVE DIRECTOR**  
**AMY QUESADA, COMMISSION SECRETARY**



# **CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION**

## **MINUTES OF THE MEETING OCTOBER 22, 2013**

### **1. CALL TO ORDER / ROLL CALL**

Port Commission President Doreen Woo Ho called the meeting to order at 3:20 p.m. The following Commissioners were present: Doreen Woo Ho, Kimberly Brandon, Leslie Katz and Mel Murphy. Commissioner Willie Adams was not present.

### **2. APPROVAL OF MINUTES – October 8, 2013**

Commissioner Murphy – The year that I built the restaurant at Pier 39 was 1978, not 1969.

ACTION: Commissioner Katz moved approval as amended; Commissioner Brandon seconded the motion. All of the Commissioners were in favor. The minutes of the October 8, 2013 meeting were adopted.

### **3. PLEDGE OF ALLEGIANCE**

### **4. ANNOUNCEMENTS:** The Port Commission Secretary announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

### **5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA**

Corrine Woods - I have worked on waterfront projects for many years. I know that the port itself and you all can't say publicly how important the Washington Street project is but I urge every San Francisco voter to read the ballot, read the statements, and please vote for the Washington project, yes on B and C.

James Bryant - I just wanted to let you all know that the process for the upcoming Eco Center is well and alive, that organizations have been talking, and that I hope that we can come to a happy resolution as far as trying to put teams together. I want to make sure that the Commission understands my feeling about this and



that means we must in the end have representation for the community that's from this community that the Eco Center sits in.

Jackie Flynn, Executive Director of the A. Philip Randolph Institute San Francisco - I'd like to extend an invitation to the Port Commission and staff. I briefly met with Commissioner Katz and Commissioner Murphy right before walking in. I'd love to invite you down to the space that we host public services as well as workforce development services, employment services, and youth services. We've highlighted this program, at least our youth program, once before. We recently began working with the Conservation Corps to provide some services for the poor to engage youth from District 10 in some of the beautification projects. Currently, I'm recruiting for City Build Academy. I'm running a job-readiness training. It's a two-week training as a recruitment method for the Academy. We're currently in a cycle of cohort session. I will share with port staff the schedule so that you when the trainings are happening and when there's some community events coming on as well at the site.

## 6. EXECUTIVE

### A. Executive Director's Report

- Ghost Ship Halloween – October 26, 2013 from 12 noon to 5 p.m. at Pier 70

Monique Moyer - The upcoming event is the second part of our cooperative partnership with Forest City in working towards an activated Pier 70. You may recall that last month they did the Urban Festival Market. On Saturday, October 26, 2013, they are doing a Ghost Ship Halloween party. The party at Pier 70 will be from 12:00 noon to 5:00 p.m. for families and then later in the evening for adults. The family portion should be extremely fun. It has a lot of art that is unique to the event. This event has been held at Treasure Island previously. We're honored that it is coming over to Pier 70. Pier 70 has probably the least amount of wind in all the city and just some great open space. We're looking forward to them being able to activate that again for families this coming Saturday and it's easily accessible. It's going to be a fantastic event on Saturday October 26 from 12:00 noon to 5:00 p.m. There will be all kinds of different events. There will be a special Halloween experience for San Francisco youth, particularly those in the adjacent neighborhoods. There'll be hay mazes, rides, pumpkins, trick or treating, and something known as the beloved silent disco. We look forward to finding out what that is and hope to see everybody again at Pier 70.

- SF Open Studios at Noonan Building – November 2-3, 2013 from 11 a.m. to 6 p.m. at Pier 70

Also taking place at Pier 70 will be one of San Francisco Open Studios events which be held the following weekend, Saturday, November 2nd, and Sunday, November 3rd, from 11:00 a.m. to 6:00 p.m., taking place at the



Noonan Building. San Francisco Open Studios is an annual event. It runs for a month from about the middle of October to the middle of November. It showcases over 900 emerging and/or established San Francisco artists in their studios on Saturdays and Sundays throughout that month-long period. It began October 13<sup>th</sup> and ends November 10<sup>th</sup>. Weekend number three will be at the Noonan Building on Pier 70 on November 2<sup>nd</sup> and November 3<sup>rd</sup> from 11:00 a.m. to 6:00 p.m. We hope to see people out at that event as well.

- Chef Michael Chiarello Named *Esquire* Chef of the Year and Coqueta at Pier 5 Named One of *Esquire*'s 20 Best New Restaurants of 2013

Esquire Magazine named Chef Michael Chiarello as their Chef of the Year. Michael Chiarello is the chef of the new Coqueta at Pier 5. He also owns Tra Vigne in Napa Valley and Bottega Restaurant in Yountville. He has been well known as a Cal Ital, Californian Italian cuisine chef. With Coqueta, he has ventured into Spanish foods. He was recognized this year as Chef of the Year nationwide. That's a very high honor by Esquire Magazine. In addition, Esquire Magazine named Coqueta as one of their top 20 best new restaurants in the entire nation. There were four restaurants, counting Coqueta, that were located in California that made the list. It's a very big honor and one we're very proud of. If you haven't yet been to Coqueta, we urge you to do so. But make a reservation well in advance.

- Affordable Care Act Open Enrollment

On behalf of Mayor Ed Lee, I would like to mention that the Affordable Care Act Open Enrollment period is underway. Mayor Lee has asked all of the city departments to help put the word out to the public that open enrollment is occurring now. The city has set up their own Website to help people understand the difference between the Affordable Care Act and Healthy San Francisco. The Website is called sfgov.org/healthreform, or you can also go to coveredca.com for information. The new healthcare options take effect on January 1, 2014. It's very important that everyone enroll if they need to now. Also, you could go to the Port's Website, sfport.com, and click the button that would take you over to the city's Website at sfgov.org/healthreform. Hopefully, everybody will make a point in doing that in the next month or so.

- Special Port Commission Meeting – Thursday, December 12, 2013

In December, we are holding a special Port Commission meeting instead of being on Tuesday, December 10<sup>th</sup> it will be on Thursday, December 12<sup>th</sup> at the same time, open session at 3:15 p.m. here in this room, but just a special note that it's two days later than it would normally be.



- Commendation for Nelson Alvarado, Port Accountant, on his retirement

I want to recognize our very own Nelson Alvarado. Nelson has been in our Port Accounting Operations team since 1982 so, that's 31 beautiful, wonderful, perfect years because, if you look at Nelson, he looks very youthful. It has obviously been a great job, right, Nelson? Nelson has primarily been responsible for processing professional service contracts and contract change orders, helping us out with a lot of significant and sometimes mundane accounting functions. He is a very friendly face around our office. He is often seen out on the waterfront exercising in his lunchtime hours as well as has taken on the adoption of a young child and has decided that that's a more important job. He is retiring from the Port and will be moving on to help raise his current and future family. We have been very blessed to have had Nelson with us for three decades as a very wonderful gift that you've given us, Nelson, and the city as well. I want to take a moment to thank you for your service. With President Woo Ho, we'd love to present you with a commendation.

Nelson Alvarado - I just want to spread my gratitude to all of you. Since 1982, the waterfront used to look pretty, but now it looks much, much pretty. I've seen the changes that we have. I have great respect for Monique, who is our Executive Port Director. Commissioner Brandon always says good morning to me on the street. It motivated me more to stay here. I love my job but my family is my priority now so I decided to retire at this time after 31 years, which is half of my life. I love working here and have nice supervisors. Our Financial Director is so nice. It's nice to deal with the employees who are family. The Port employees are family. All those activities that we have inside, it's always nice. We had fun. Working for the Port, it was fun for me. It was educational, too. I'm happy when I came, and happy when I'm going. Thanks to all of you. I love you all. You will be in my heart all the time. Thanks, Commissioners, for the opportunity you gave at this time. Thanks, Monique. Thank you for everything and for making us feel that we are really family.

John Woo, Accounting Manager - I'd like to say a few words, continue the acknowledgement of the years of service of Mr. Nelson Alvarado. Nelson's mentioned that the waterfront's changed a lot. Imagine 1982 and you're an accountant, that's before personal computers. Back in that day, there were paper ledgers, typewriters, documents sent to the controller's office. It's a very different world that we live in today, very much in the same way the waterfront is a very different place. Being the contract accountant for most of the years that he's been with the Port, I've always asked him, at least the time I've been here, "Would you like to rotate and do something else?" He's like, "No, I enjoy my job. I enjoy working with the contracts because you get to see a little bit of everything that's happening around the Port." I pulled out the 1982 financial statements to



compare and contrast a little bit. The capital assets to the Port in 1982 are just over \$200 million and this is at cost. In 2013, it's over \$500 million. The operating revenue was just about \$24 million. We're now at \$80 million, so kind of a different place. There's been a bit of growth. Just thinking about what Port projects there were that were constructed through Port work or through contract work, and I just pulled out a few random ones. The big ones, the hairy ones that are multi-funded, because we're always scraping for money, and we find different funding sources, but a real big event in San Francisco life was the 1989 Loma Prieta earthquake.

The largest funding source for that and we've cobbled some other money together, too, but was \$27 million of FEMA funds. It took six, seven years of accounting work of contracts and we got reimbursed for. We don't take credit for it, but the Embarcadero roadway, the promenade, all the changes that occurred here, the downtown ferry terminal, it was an \$18 million project, and we cobbled together a bunch of grants to get that done, and that's where we have now the new gates B and E. The public walking piers was during Nelson's time as well, Pier 7 and 14 that we currently have, Heron's Head Park and Brannan Street Wharf. There's a lot of Port contract work. There's been a lot of change. We want to acknowledge all the contract work that's been done. It's time I guess. A wise boss said to me once, "Don't live to work, but work to live." As you enter into your next stage of life, we wish you the best.

Uday Prasad, Interim Deputy Director, Port's Engineering Division - It's been real pleasure working with Nelson. Over so many years, most of our contracts and contract service orders, they go through Nelson before we even start. Nelson has been a great help in ensuring prompt payments and tracking these invoices and letting us know if there were any problems. I would like to thank Nelson for all the help and support, and I wish him all the best.

Peter Dailey - I apologize for my dress, and, Nelson, I apologize for my dress. He's the best-dressed man at the Port. As everybody else has gotten more casual, he's gotten more formal. But Nelson is 31 years. He's a gentleman. I saw him yesterday. We've been chasing this BART issue for the last couple days. He lives in the far East Bay. I said, "How long did it take you to get to work yesterday?" He goes, "Like three hours." I said, "Nelson, why don't you retire, like, today so you don't have to put up with it." He goes, "No, no, no, no, I gave my word. I'm here until Friday." Nelson is a great guy. We've raised kids together. Remember the time they opened the beer in my office when they were eight years old? It's a whole different story. The Port is not going to be the same without Nelson Alvarado. I hope you have a great retirement.



Nate Cruz with the Real Estate Division - I'm a financial analyst. I also wanted to speak about Nelson's retirement and mostly just on a personal level. I've been here a whopping three years. I have a long time to live up to Nelson's example. But when I started here, I really didn't know my way around. When you first are trying to get your bearings, there's those folks that you get to know are really a resource and are always sort of a welcome place to go with your questions, which are probably pretty silly in hindsight. But Nelson was one of those people for me. He was always very helpful in trying to learn the ins and outs and the hurdles and the hoops of contracting and maintaining the scores and scores of utility accounts that we have. I would not have certainly learned what I did without Nelson. He's just a good guy to work with. We'll miss him.

Edwin Lee - I worked with Nelson for literally most of my career, which is like over three years. I just wanted to personally assure you that his desk is in good hands because I'm temporarily filling in that's because Nelson taught me everything I need to know, not just about accounting, but life, which is why I know he'll be a good parent. He's always a good guy to talk to. I'm going to miss him. I want to thank you for helping me with all that stuff.

Elaine Forbes, Deputy Director, Administration and Finance - You've heard today that Nelson is our contracts desk in the accounting shop. He gives everyone who's asking the answers they need about contracts. He is a consummate professional. He is always a pleasure to work with and accurate with his information. When I first arrived at the Port, from time to time, I would get calls from other divisions complaining that there was a contract or a change order at Nelson's desk and I would look into the issue. Over time, when I'd answer those calls, I would just say, "So, what is your compliance problem," to the person on the other side of the line. Nelson always caught errors before they became problems. We're really grateful to him for his diligence and his hard work. I wish him all the best in your retirement.

Commissioner Brandon - I would like to thank you, Nelson, for your 31 years of service. I probably see you the most of the Commission because I see you two or three times a week coming and going to work for the last 16 years. Every time I see you, you just have this wonderful smile on your face, with this great energy. I want to thank you so much for being a part of the Port organization. Good luck in your retirement.

Commissioner Woo Ho - On behalf of the Commission, I haven't had the pleasure of working with you directly but it sounds like you've had a meritorious career and sounds like everybody loves you. We love you, too, and hope you're going to be happy. It's nice to know that you're



leaving on such a great note and onto some great things in your life. Thank you very much for your service.

- BART Strike

Commissioner Woo Ho - Before we move off the Executive Director's report and Peter mentioned it, and I just wanted to ask if Monique could comment. We can all sigh a lot of relief the BART strike is over but I wanted to just have Monique comment a little bit about how the Port interacted with all the issues that we know that obviously went on with the transit and what lessons we've learned and what you would like to comment so hopefully, we don't have to do this again. My interest is in the longer term, as you've often heard me talk about how important water transport is in terms of the transit of San Francisco and how we can improve transportation. Perhaps you can give us some of your short-term impressions of what happened this week so we can continue to learn.

Monique Moyer - It was a long five days, to be blunt about it but I will say that the interaction of all of the various agencies that came together was tremendous. A lot of lessons were learned by the strike and the four-day strike in July that were implemented and upgraded this time around. The maximum kudos goes to the passengers themselves. They were extraordinarily well behaved, polite, and frankly, just plain good citizens about the major inconveniences to their lives.

The big difference between July and October was, of course, the weather. The lines were just as long if not longer for the ferries but this time, the passengers were standing in the dark in the morning and in the dark in the evening. It was a lot colder and yet they kept their spirits and their behavior. There were no incidences that I know of that were ugly or complicated.

I want to commend MTC and BART for running buses and making provisions to do that ahead of time; that really helped. I would like to commend the Water Emergency Transit Authority for their orchestration of a response, including being able to get Golden Gate Ferry ships available to run the Oakland routes.

This time, another difference was that the Water Emergency Transit Authority dispatched the vessels according to the line queues instead of according to a time schedule. In July, there was about a 45-minute headway between vessels. This time, they monitored the lines, and they sent vessels much quicker.

Last night, we noted that, at 6:45 p.m., there were 536 riders in line for Oakland. That meant that the line went from the ferry building all the way



down to Rincon Park. Again, it was a little chilly, little windy. As I walked through the line, people were extraordinarily well behaved.

The Port, particularly through Anita Yao and John Davey served as ambassadors to those lines. There couldn't have been a better ambassador than Anita Yao. She's got to be one of the most friendly, high-spirited people. Both she and John were there in the wee hours of the morning, and they were there in the wee hours of the night. They both deserve tremendous kudos for their efforts as well as all of the Port staff that participated.

We also had security guards to help keep the roadways open. As you probably know, there are a couple of driveways that those lines cross, particularly at the agriculture building and at Sinbad's. The security guards helped with people to understand that those areas needed to be kept open.

The Water Emergency Transit Authority staffed a lot of ambassadors for themselves as well. Vallejo ferry left at capacity. The 536 Oakland riders were extremely lucky because WETA was able to arrange for a vessel that held almost 700 to come pick them up. They all were able to get on and were quite relieved. I think they had visions of having to queue for hours on end.

As I mentioned, instead of running ferries every 45 minutes, WETA provided the ferries as needed when the queues got very long. We need to reflect more on what more lessons there could be but we did quite a bit of reflection, we being the broader transportation community, and all came together from July to October with even better service. We're very gratified by that. My compliments to everyone involved.

I did happen to be an event at the airport last night. There was a gentleman who got on the people mover with me who was headed to BART who had been in New York and didn't realize they were on strike. He wasn't too fond having a long trip home to find out he now had another trip home to arrange. I'm sure he's relieved as well. But I was surprised that he didn't know about the strike.

- Commissioner Brandon's Trip to China

Monique Moyer - If I may, I wanted to give an opportunity to Commissioner Brandon to say a few words about her trip to China.

Commissioner Brandon - I was fortunate enough to attend the San Francisco Shanghai Sister City Committee and San Francisco China's trade and friendship mission led by Mayor Ed Lee to Beijing and



Shanghai. It was a last minute decision for me to attend the trip. The stars just aligned because, with the shutdown of the government and debt ceiling and the volatility in the markets, I just wasn't sure that I was going to be able to make it.

Half of the delegation were transit people who either worked with BART or do work with BART. I'm really glad that I decided to go. It was such a great experience with a very high-level delegation of approximately 70 people, including assembly members Phil Ting and Rob Bonta, Supervisors Breed, Kim, and Yee. Supervisors Kim and Yee met us in Shanghai along with Mayor Lee, who was late in arriving because of the BART situation.

There were two Port tenants, Larry Bair from the Giants and Tom Escher from Red and White Fleet. Also Jennifer Matz, Head of Port Waterfront Projects was also there. I was hoping that she would be here today to add a few words about the trip.

The Bay Area Council led by Oakland Mayor Jean Quan was also in Beijing and Shanghai at the same time as our delegation. We crossed paths many times. There were so many people from the Bay Area at that time. It felt like you were at home, which is absolutely wonderful.

The trip had a packed schedule, which included a Warriors game in Beijing and Shanghai. I was extremely impressed with the Warriors organization. They brought the entire organization to China, from the owners and investors to the players and their wives to the cheerleaders, the front office, and the Flying Dubs. Everybody was there. I was just extremely impressed that they brought their entire organization to be able to be a part of the trip.

Joe Lacob, CEO of the Warriors, participated in a sustainability forum at Fudan University along with Mayors Lee and Quan. I was happy to hear that, when he spoke about the Warriors' proposed arena project, he not only spoke about the open space, public amenities and jobs that the project would bring to San Francisco, but he also spoke about the importance of working collectively with the community and regulators to make sure that the project becomes a reality.

I had a conversation with NBA Commissioner David Stern, who told me how everyone in the league across the country is excited about the Warriors getting a new arena. I think people just are tired of Oakland, the existing arena.

We visited Peking University and attended a ribbon-cutting ceremony of the Florence Fang building. She donated an academic facility to the



University School of Chinese as a second language. It was a great affair with a lot of dignitaries. It was just a beautiful occasion.

U.S. Ambassador to China Gary Locke hosted a reception for us at the U.S. Embassy before we boarded the high-speed rail to Shanghai. The high-speed rail was quite an experience. The train was going over 200 miles an hour and we arrived in four hours. We didn't feel one bump. It was smooth sailing all the way, which was really nice.

There was an investment and development forum, where delegates and private sector leaders discussed venture capital, high tech, clean tech, and other investment opportunities, involving both San Francisco and Shanghai. Jennifer Matz was on the panel and did a great job discussing our waterfront projects, development projects, and opportunities.

China Shipping Company and Cisco Shipping executives hosted a very nice dinner for the delegation. Since Mayor Lee had not arrived yet, I had the opportunity to give remarks on his behalf and promote our wonderful waterfront. I think everybody wants to come and visit.

The Mayor and the delegation met with Shanghai Metro executives and signed an MOU between BART and Shanghai Metro, committing to a new era of engagement and sharing of best practices.

Their metro system carries 8 million passengers per day. We can definitely learn some best practices and they don't believe in striking.

We had several meetings with private and public officials to discuss investment opportunities in San Francisco, including a private lunch with myself, Mayor Lee, Supervisors Breed and Yee, with the highest-ranking women in Shanghai's government. She is Chairwoman of the Municipal People's Congress. We discussed education, healthcare, transportation, and of course, investment opportunities. It was all about investments.

Believe it or not, I'm just giving you the highlights of the trip, and I can go on and on. It was a great trip. At the very end of the trip, we were leaving the hotel Sunday morning, and that's when we all heard about the BART workers. It was a somber end to a great week. I would hope that we can close the meeting in their honor today.

Commissioner Woo Ho - Thank you, Commissioner Brandon. That was fantastic report. It sounded like a lot got accomplished. I'm glad you were there to represent the Port and put us in good stead with everybody on the trip as well as with the various stakeholders and represented the governments in China.



## 7. REAL ESTATE

- A. Request authorization to offer through competitive bid one (1) five-year lease for five (5) surface parking lots at: Seawall Lot 301 commonly known as the Triangle Parking Lot, bounded by Taylor Street, Jefferson Street, and Powell Street; SWL 314 bounded by the Embarcadero, Bay Street, and Kearny Street; Seawall Lot 321, bounded by the Embarcadero, Front Street and Green Street; Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street; and Seawall Lot 323/324 bounded by the Embarcadero, Broadway Street and Davis Street. (Resolution No. 13-42)

Jay Edwards, Senior Property Manager for the northern waterfront - I'd like to request authorization to offer, through a competitive bid, on a five-year lease for the following five Seawall lots, 301, 314, 321, 322-1, 323/324, all located in the northern waterfront.

I'm going to provide a brief background of the lots, discuss the rationale for consolidating the lots into one operator, and outline objectives of the project, provide an overview of the financial operational components of the lease, and discuss the bid process and qualifications, and hopefully, with your approval and input, move forward on issuing the bid.

As background, we have two current operators, Central Parking and Priority Parking that are operating the five lots, plus one expansion lot. Central Parking operates Seawall Lot 301, which is known as the Triangle Lot, which that service primarily the Fisherman's Wharf community. SWL 314 serves as a parking lot for cruise operations, for visitors in the northern waterfront. SWL 301 is a very management-intensive lot that requires staffing and a lot of customer service. SWL 314 is primarily a lot that's more in the self-park arrangement. SWL 301 is up at the top, the northern end. SWL 314 is across from Pier 35. SWL 321, 322-1, 323, and 324 are operated by Priority Parking.

For SWL 321, that could be the future site for Teatro Zinzanni if that comes back to pass. That's not being addressed here in this report. It's something for future consideration. SWL 321 primarily serves as a self-park operating lot. It functions as a lot for primarily the office workers and visitors from Pier 9 through Pier 23.

SWL 322-1 is primarily a valet operations that services some of our port tenants, like KGO and some of the surrounding businesses, whose employees park there.

SWL 323 and 324 service primarily the Exploratorium. That has gone from a self-park to a pretty heavy valet operation. It's very intensive. These lots all differ in their amount of management and oversight that they need. The idea is to consolidate those lots with one operator. The rationale for that is based on four years of my experience managing all five of these lots and both of these operators. Port staff believes that, by consolidating this, we'll have an opportunity to maximize the revenue to the Port and will also provide for the



operator to be able to staff these lots as needed. It could be more flexible. They could staff up for special events and gives everybody a little more flexibility.

In addition, we believe it should improve the customer service, as you'll have one operator responsible for all these lots, instead of the two lot operators now. The final component of it is that it also will hopefully attract operators that have the financial resources to carry these lots in non-peak season. We have two pretty distinct seasons occasionally for these. We feel that, with the one operator, we'll be able to achieve these objectives. The project objectives would to offer these lots after authorization from the Port Commission, through a competitive bidding process, on a sealed-price basis.

Any respondent that represents the highest-base rent proposal and that meets the bid qualifications would be awarded the opportunity to enter into a lease.

To put these lots in perspective, I wanted to provide a pie chart on the parking operation as compared to the entire Port portfolio. There's roughly 21 million square feet of Port property. Our lots operated by independent operators represent roughly 1 million square feet of that, approximately 5 percent of our total overall portfolio. The next pie chart represents the revenue associated with the various different uses we have on the Port property.

Out of the \$77 million shown as the total fiscal year 2012-13 revenue, roughly \$17 million is brought in by parking. Of that \$17 million, approximately \$10 million is directly associated with our parking lot operations. So, \$10 million is roughly 13 percent of our revenue from parking lot operations. The other \$7 million comes in through our meters, fines, etc.

It's an extremely important component financially to the Port. The selection of the operator is critical to us as an organization staying financially viable.

While the numbers are important, what also is extremely important is the interdependence of the parking in relation to our existing port tenants and to the visitor experience. To have an operator that is just totally focused on the financial component of it, we do need to have somebody that has the operational know-how and skills and customer service skills that allow us to have a good positive relationship with our existing tenants and the visitors who come and visit the Port every day.

As an example, we have the Fisherman's Wharf restaurants, our percentage restaurant tenants, the Exploratorium, our cruise operations, our special events, our office industrial tenants, and just the people coming down to visit.

As a basis for this proposal, we've come up with a minimum bid amount. This would be the bid required by the operator to at least meet this minimum bid. This is for their minimum monthly base rent. I've broken these down into five different lots. We've got a total, and we've prorated them, if you will, per lot. \$363,000 is what we're recommending as a minimum bid.



To put that in perspective, during the last three fiscal years, the revenue associated with these five lot operations, was \$4.2 million in 2010-11. It increased to \$4.385 million in 2011 and 2012 and was \$4.756 in 2012 and 2013.

What this does for us is provide a minimal base rent of roughly \$4.356 million. The way the bid is set up is it's the minimum monthly rent plus or the greater of 66 percent of the gross sales net city tax.

We were able to generate an additional \$534 million in percentage rent for the last reporting period. This hopefully gives you an idea of the financial expectations that we're having on this opportunity.

Commissioner Katz - Just a quick clarification. I wish it were true when you said you got an additional \$534 million.

Jay Edwards - Excuse me, it should be \$\$534,000, not million

Commissioner Katz – You said base plus or not?

Jay Edwards - The way the bid is going to be set up, the rent will be the greater of the monthly minimum rent or 66 percent or possibly higher of the gross sales for the lot.

Commissioner Katz - Okay. You had a plus in there when you said it. So, I got a little confused. So, it's one or the other, just to clarify.

Jay Edwards – Yes, it's one or the other.

Commissioner Woo Ho - In the past, what has been the driver? Has it been the 66 percent, or has it been the minimum?

Jay Edwards - This gets to the peak season. In certain areas, like the Wharf, where you have a distinct peak season, during the months of May through September, the driver is the percentage rate. It's higher. It's exceeding the minimum rent. In the off season, typically, the gross sales do not meet the minimum rent as a percentage of the rent.

Commissioner Katz - How do these amounts compare to other parking structures in similar vicinity? Have we done an analysis of the rates and how that would impact these numbers?

Jay Edwards – Every year, we require the operators to provide a market study and market survey of the adjacent competitive lots. We make sure that our rates are competitive with the marketplace in light of also trying to serve the greater mission of providing support parking for our existing tenants.



Commissioner Woo Ho - Does this represent status quo increase? How would we compare to the market?

Jay Edwards - Our rents are extremely competitive in the marketplace. We have an hourly and daily parking but we don't do a lot of monthly parking. On an hourly and daily basis, for a surface lot operation, we're very competitive.

Commissioner Woo Ho - What knowledge do we have whether there's going to be more space, less space, generally not more space but will there be less parking in this general area, in terms of other developments going on?

Jay Edwards - The surface lots are not being replaced with development projects. To the extent that those surface lots go away and there's not additional parking being provided in those projects, then our parking should increase in value.

Commissioner Woo Ho - Specifically, do we know right now in terms of whether these lots in the immediate vicinity, is it going to be more demand because of developments going on or status quo in terms of the amount of parking available? The market is a supply and demand, and price is a function of that.

Jay Edwards - I would say it's looking opportunistic for the Port in terms of demand for its parking. There will be more demand. What sort of tempers that a little bit is our the developments that may be planned for these lots. For instance, 322-1 is a project you're going to hear about shortly.

Commissioner Woo Ho – What's the duration of the leases if there is future development.

Jay Edwards - We're proposing a five-year contract.

Commissioner Woo Ho - If these developments should start sooner, then the lease will provide for early termination.

Jay Edwards - That's correct.

Monique Moyer - The developments, again, would be both the affordable housing proposed development at 322-1 and the Teatro Zinzanni-proposed operations at 323.

Jay Edwards - That's correct.

Commissioner Brandon - If we have minimum rents, why do we need to consolidate all five operations? I heard what you said about the rationale for consolidating but have there been complaints about our current operators?



Jay Edwards - We've had our challenges, yes.

Commissioner Brandon - What's going to stop them from bidding again? If we have challenges, we're stuck with one versus two. Commissioner Adams and I have been talking with staff to try to figure out how to come up with more opportunities for LBEs. If we keep consolidating, there will be no opportunities. At one point, most of these lots were independently run. I'm not clear on how to lump them all together and how you're going to make more money if we have minimums.

Jay Edwards - We have specifically inserted in this proposal a LBE requirement that the operator would be required to have a LBE participant and a facet of managing, operating, or security for the lots to provide those opportunities as we recognize that should be provided. That will be a bid requirement.

From Port staff's perspective, consolidating the lots would give the operator an opportunity to, first of all, have a more efficient staffing plan. If we had two operators, and we lost one of the lots, you could have just one operator operating one lot, which would not be economically very efficient. Our hope was that would allow them to drive the bid higher.

Commissioner Brandon - Back to the LBE conversation and if you're bidding on one lot versus five lots, I think there will be more people that have the resources to go after that contract than the total contract. My other point was, why are we going from three to five years when it seems like every time we go out to bid for the parking lots, we get more money? Why are we increasing the term?

Jay Edwards - That's a good question. The idea on the five-year term is that these lots do require capital investment. For firms to make that capital improvement investment, whether it's revenue equipment, whether it's resurfacing the lots, whether it's doing the perimeter, signage, all of these things cost a pretty significant amount of money. To the extent an operator can amortize those over five years, we think that will allow us to get a higher bid in terms of their monthly bid.

We've already exceeded our three-year contract now. We're into the fourth year. We thought the five-year lease would allow us to have stability in the lot management, provide the incentive to make the investment in the lots, and we do have escalations in the lease because of the percentage rent clause. There's an annual escalation of the minimum base rents we're proposing as well.

Commissioner Woo Ho - I can understand a little bit the rationale of the five-year, but I support what Commissioner Brandon's saying because the LBE



component here is really not operating the lot as the operator but providing a service to the operator, which is not the same.

If you're trying to help the LBEs in terms of their overall ability to generate a business enterprise, then they're just an extension, doing security service, maintenance service or something, but it's not the same as actually managing and operating. It depends on what we want to achieve with the LBE objectives but there is a difference.

What I heard is that these all have their own very customized reasons of who they serve in terms of possible customers and the customer service requests that we would like because it's not like they're just all servicing office tenants and that's it. I'm also wondering why we would consolidate.

As I read the report, we get 66 percent of gross receipts after parking tax. How the operator manages his costs is really not our concern, right? We're based on gross receipts after parking tax. I understand that we want to help them to be efficient but from the Port's perspective, we're looking at gross receipts after parking tax. Am I not correct?

Jay Edwards - We are. There is not a real wide margin operating parking lots. We found that out when we've had operators that could not make their minimum rent payments. We've had to go back in. We're going into other forms to try to have the lease enforced.

There's not a huge amount of spread between these. We think a financially viable operator would be the best way to go. The way to consolidate the lots, we thought that would attract a higher level of operators.

Commissioner Woo Ho - I totally agree with you that we want to have a financially viable operator. That's really important. We have to lay out very clearly besides a security deposit and everything what exactly we mean by a financially viable operator, regardless of whether they're an LBE or not an LBE.

Commissioner Murphy - This is beautifully prepared proposal or whatever you want to call it. I do think that you pretty much covered everything here. You're making the vendor responsible for essentially getting these parking lots ready to start paying you guys rent. How much upfront cost to the Port you think it'll be overall?

Jay Edwards - That's what we're assessing right now, Commissioner. I'm meeting with our Deputy Director of Maintenance. The Port investment would be in the infrastructure. For instance, one seawall lot does not currently have electricity to even power the lights that need to be on the lot.



The Port's investment in these lots would be in infrastructure investments that would be beyond the typical tenant responsibility. I don't think it's a huge sum of money, but it is some investment and there will be a return on it.

Commissioner Murphy - I also understand Commissioner Brandon's concern about the LBEs but the vendors that are interviewed and are going to bring a proposal and sealed bid, they'll have already been vetted by the Human Resources in San Francisco, the same as any other city contract. They'll have to prove that they have LBE, right?

Jay Edwards - That's part of the minimum bid qualifications.

Elaine Forbes - This agreement is outside of 14B. It's a Port requirement that the respondents come with an LBE partner. It wouldn't go through the same process as a professional services contract or a construction contract, where the Contracts Monitoring Division would review that they've met the percentage as part of a minimum qualification to review the proposal.

Commissioner Murphy - Yeah, that's what I thought. On the five-year contract, I think that makes a lot of sense. It does worry me a little bit about the amount of security that the vendor has to put down in the form of cash or cashier checks, nonrefundable. That kind of takes the small business guy out of it. I think you're talking about one year's rent or something.

Jay Edwards - Six months security deposit. It is significant and that warrants another closer look and see if we can reduce that.

Commissioner Woo Ho - What are the requirements of other city parking contracts as well as in the private sector?

Jay Edwards - Currently, they vary widely. What our current arrangement is two months of rent, either in cash or as a letter of credit.

Commissioner Murphy - I think maybe six months would be more appropriate.

Jay Edwards - It is six months.

Mel Murphy - I thought it was one year.

Commissioner Woo Ho - It's six months but I think there are other financial qualifications other than just putting down six months. You have to know what the overall financial condition of whoever's bidding.

You're getting a lot of questions about whether we should have consolidation or not. I'm wondering whether we should look to see, not to open it up in terms of not saying we would insist on one operator but let it be more open in



terms of the response from the market and then try to decide if we're going to satisfy some of the conditions that we need to make this viable for the Port, in other words, being more flexible rather than insist upon consolidation with one operator. How would you respond to that?

Jay Edwards - In terms of flexibility, that's what we desire to achieve as well. We found that the current lease that we're operating under is restrictive. It's been difficult to be flexible. In terms of how many operators, our experience right now is with two. We're recommending one because we think there will be some benefits to that but there's the other side of it is, can the operator be financially viable? What happens if we have multiple operators, in the case of Seawall 322-1? That operator then could be out of business per se before the lease expires.

Commissioner Brandon - But all of them could be out of business before the lease expires. That's part of the contract, right?

Jay Edwards – Yes that is in the contract. We're not anticipating that. Since we know of this project our thought was how to make it incentivized for both parties. How do we craft agreement that works for both parties? That ultimately is what we feel this would provide.

Commissioner Woo Ho - Size doesn't always prevent financial issues so putting all your eggs in one basket has its set of risks as well as if you'd diversify.

Jay Edwards - That's a good point.

Commissioner Katz - How do we address the issue in terms of the bid? It sounds like we're going to get one operator, and they're going to bid on each of these separately but then if the two come offline, does it just get adjusted accordingly? Are they all made well aware that they may not get at least one if not two of these sites?

Jay Edwards - Yes that will be clearly outlined. This is why we've broken them up on a per rental basis. If one comes out, then we would have an opportunity to make the adjustment in the lease without a lot of back and forth.

Commissioner Woo Ho - For example, going back to the qualifications, I don't see anything in writing here, so if it's implied, in terms of qualifications, are we talking about people already operating parking lots for X period, some experience, track record? This is not here. It gets to the issue because, right now, what I'm hearing is, if they are of size, then we feel comfortable. If we were to bid it out to individual operators, we're saying, "We're going to take huge risk."



The question really is whether they're qualified to operate to begin with and what their experience already is in the market with lots of this size or bigger or smaller or whatever. That's the part that I guess I don't get out of this presentation.

Jay Edwards - That was the piece I was going to finish up with. I have not gotten there. We have the bidder qualifications, those are outlined on page eight of your report. There's a certain number of spaces, approximately 1,000 parking spaces. There's a certain revenue associated with it. There's a certain time period. So, that's the number one. Number two is describing exactly what we're expecting these operators to provide, which is pretty significant, pro formas, business plan, capital, operating budgets, satisfactory record with other parking contractors, demonstrated customer service level.

We also have our credit standards that we would be applying to that and there's a financial responsibility and experience questionnaire and application. It's going to be a pretty detailed process for a bidder.

Number three, they must show a documented level of local business enterprise outreach. A bidder must include a local business enterprise as a partner who shall participate in the managing, maintenance, or security of the lots. The operator would then partner up with who they felt was advantageous to securing the bid. We're making this a key element, even though it is outside the city contracting requirements. We feel this is really an important component. We put this in specifically to encourage a partnership basis. They could be managing a lot independently.

Commissioner Brandon - Does partner mean 50-50, 60-40, 70-30? What does partner mean?

Jay Edwards - There's all kinds of partnership levels.

Commissioner Brandon - What would we base this on? How would you score a partner?

Jay Edwards - We're looking at the operator to provide that and manage that piece of it. It is in the qualifications and it will be evaluated as such.

Commissioner Brandon - But how would it be evaluated? Do you get more points for a larger percentage?

Jay Edwards - No, this is a bid. There are no points associated with it.

Commissioner Brandon – Right, so it's all about the highest bidder.



Jay Edwards – It's about the bidders meeting these qualifications. It is a qualified bid. There are standards that they have to go through. If the highest bidder does not meet the minimum qualifications, we would go to the next bidder. It would behoove the operator to be, we think, forward thinking in this and provide a level where that's not going to be an issue. That's our objective.

Commissioner Katz - I think some of the concern arises around the bidder must show a documented level. How do you define level. Is it in terms of outreach? Even more so they shall find an LBE as a partner. Partner is not defined. There's no priority given to a bidder that, say, all things being equal, one has greater LBE participation, do they not get any added thought to that, or is there any definition of what it means by having an LBE as a partner? Is it 5 percent of the project, or is it 50 percent?

Jay Edwards - That's to be determined by the bidder.

Commissioner Woo Ho - Let me give you a scenario of what I think you've outlined here. You have the bidder who meets all your requirements of being the big operator with lots of experience. Qualification number three allows them on the LBE to outreach and they bring in a partner. What's to prevent having a master lessee and then they bid out, in turn, to somebody else? You have a middle man in between. The LBE comes in to operate the actual individual lot. I'm not sure that is the most efficient way. How do we know that actual sublessee ends up not being as qualified to operate the lot? I see risk in that as well in terms of how this is structured.

Monique Moyer - This is a very interesting conversation because, as Jay can attest, we've had the same one in house. I, unfortunately, wasn't able to be part of the conversation he had with you, Commissioner Woo Ho. Here's what I would like to offer. I understand completely from the staff perspective why it is that we want to consolidate it. Jay's expressed it very well. I do feel that we need to prioritize the opportunities for LBEs as highly as we have prioritized the need for good customer service.

To say this another way, we anticipate that the high bid will be factored in by the added customer service that we require as opposed to just putting in a pay machine and calling it a day and sharing a percentage of the rent with the Port. We expect there to be customer service, attendants, and valets, whatever the lot requires.

My thinking is that when we get to number three in the list of qualifications, then what I would like to propose is that we define as we have a minimum percentage rent, base rent, we also define a minimum number of spaces to be operated by an LBE. My proposal is that we would allow the master operator to determine where those spaces are so that, as we grow or shrink



the portfolio, they can accommodate that way. I would hate to see that an LBE gets the lot that then shrinks rapidly over time.

What I think the advantages are there is it is very onerous to provide the level of insurance that the city requires. It's also very onerous to meet the indemnification standards that the city requires. This would create an opportunity where there could be a joint venture that would help the LBE participate where they might not otherwise and meet the financial standards that we need to meet.

When we did this last time, we hired firms that have robust financial standards, and we watched their balance sheets decline with the marketplace. We'd hope to not repeat that again. But there's certainly no guarantee. That would be my proposal.

Commissioner Murphy - The vendors will need to be bonded.

Monique Moyer - They have to provide certain types of bonds. But depending on what tenant improvement work they do, they have to provide construction-type bonds. More importantly, they'd have to provide property and liability insurance. If they used automobiles, automobile insurance, workers' compensation, things like that.

Commissioner Katz - In terms of what you're suggesting, I'm not quite clear on it, or is it just then changing the language in section three here so that, rather than having an LBE partner in either the managing, maintenance, or security, it becomes an actual operator of a certain number of spaces?

Monique Moyer – There's no reason why it couldn't be all three but I was trying to come up with a floor on the operating side if that's the Commission's interest. I gathered from the discussion that we wanted more than just an LBE security guard or an LBE maintenance provider that we really wanted to provide the opportunity to have an experienced operator operating a lot and that was my proposal. They could bid more than the floor, but in the same way that we have a floor for minimum-based rent, we could have a floor for what an LBE participation looks like as an operator.

Commissioner Katz - I think that would be helpful if at least we define it. That way we like to look at worst-case scenario that, if we don't have it defined, we may not get what we want.

Monique Moyer - I think that got to your question of in the end, it's a high-bid award. How do you ensure that you're not taking the highest bid that has zero LBE operating experience? You ensure it by having a floor.



Commissioner Woo Ho - I would think that you'd want to add to that once we're looking at the qualifications of the bidder or the master operator, you need to put something in there in terms of the qualifications of the LBE as well. There should be some minimum financial criteria there, or the master operator ends up having to guarantee the performance of the LBE, which would be onerous. Many of them would not want to do that in terms of an outright guarantee.

You have to have some financial buffer because, otherwise, we're looking at the master operator, who is in perfect financial health. Then they in turn contract with someone we don't have any information or qualifications for the managing operator. The Port has no knowledge of who that is. Then some of the scenarios that you all described as obviously, creating problems could happen because, then it becomes the LBE. We are depending upon the LBE to perform. We have to have something that ensures us that the LBE can perform.

Monique Moyer - I agree.

Commissioner Katz - Maybe a term of art might be using something along the lines of a joint venture of a certain percentage for operation of these lots. They can determine which spaces or how that works but at least have some sort of joint venture scenario rather than just an outright fee.

Commissioner Woo Ho - Yes because otherwise, the master operator's just taking a fee off the top.

Jay Edwards - Well, our idea is outlined in number one. The bidder must be engaged primarily in the business of operating public parking lots.

Commissioner Woo Ho - Well, they could be but that doesn't mean it prevents them from just taking a fee off the top and subleasing it out to somebody else.

Monique Moyer - Can that work for you, Jay?

Jay Edwards - Sure. As I understand, we're looking at a floor as well as a minimum financial qualification for the LBE. Is that what I heard?

Monique Moyer - Can that work for you, Commissioner Brandon?

Commissioner Kimberly Brandon - Yes.

Commissioner Katz - I was suggesting exploring using language along the lines of having a joint venture. I think that would address the financial concerns because you would have the overall operator that has to meet the



financial requirements. We're trying to figure out ways for LBEs, which traditionally have a harder time entering into the market because of the difficult requirements that the city has in terms of insurance and other factors and this might be an opportunity or even create an opportunity for an LBE and maybe that's done through a joint venture, which would then guarantee the financial wherewithal if they're working together as opposed to just having a subcontract.

Jay Edwards - Excellent, yes, good suggestion.

Commissioner Woo Ho - I would suggest in your bid process that you were very clear on what the role of the master operator is versus if there is going to be an LBE operator i.e. that their roles are clearly defined. As I said, it isn't just someone who says, "I'm just kind of passing through and passing it onto you. And I'm taking a fee off the cut. What is my ongoing role and responsibility and liability?"

Jay Edwards - Yes that's an excellent suggestion.

Commissioner Brandon - Did we let you finish the presentation?

Jay Edwards – That wraps it up.

Commissioner Katz - We did take this out of order because, normally, we let the public comment first.

Commissioner Woo Ho - Before we finally vote on it, please mention all the amendments that we just made so that we're all very clear.

Jay Edwards - Absolutely. So, the LBE would be required to meet minimum financial qualifications. It would be a minimum floor of their level of participation. They would also have a clear definition of the role of the master operator and their operations of the lot and their ...

Commissioner Woo Ho - Responsibilities and liability, important word liability.

Commissioner Murphy - I think that the LBEs have been well shepherded and well supervised by the Human Rights Department. That's the part of all city contracts. If anybody has done contract work with the city and county of San Francisco, they're very aware of all that. What's started out here as being a difficult contract is going to be now a really difficult contract.

Jay Edwards - We'll get through it.



ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 13-42 was adopted.

## 8. PLANNING AND DEVELOPMENT

- A. Informational presentation on a Memorandum of Understanding with the San Francisco Mayor's Office of Housing and Community Development regarding affordable housing development at Seawall Lot 322-1 (located at Broadway and Front Streets).

Jonathan Stern, Planning & Development - Contrary to prior advertising, I'm not presenting this item but I'd like to introduce you to Ricky Tijani, who is a member of our development group. He's been with the Port for a little less than a year. This is the first presentation he's made to the Port Commission.

I'm very glad that Jay brought up this topic in relation to the bid that he's putting together for 322-1. I wanted to point out since I'm anticipating the question how this will overlap in term, we're expecting that this process would take a minimum of three years to get a development ready so that if there is overlap between the parking operation contract that Jay just presented and this item, it would be minimal.

Ricky Tijani, development project manager with the Planning and Development Division of the Port - I'm going to quickly give an overview of my presentation to indicate the extent of that presentation. What we have here are the main objectives of this presentation and the proposed MOU, the affordable housing, and all the steps in between are all towards finding funding to help develop Pier 70. Everything else is to provide a rationale as to what we are doing.

My presentation will cover the challenges that we're facing with respect to Pier 70, the high cost, the use restrictions, and then the complexity of the various issue that need to be addressed before we could start construction or move forward with the various development, and the strategies that staff have thought about in terms of addressing those challenges and implementation of those strategies, which include collaboration with the Mayor's Office of Housing and Community Development, which for simplicity we're going to refer to here as the Housing Office.

One of the key challenges facing the Port is the development cost of waterfront property. The expensive pile that would need to be included because most of these waterfront sites are on fill soil. As a result, they would need a very deep pile that are usually deeper than any other inland sites to make those projects withstand earthquake in terms of seismic safety.



Many of the majority of Pier 70 is within the historic district. This is why they require a high cost of rehab in order to make them work and, of course, as the complex regulatory environment in terms of how the various public bodies that need to have a say in moving forward with the projects as well as environmental compliance cost. Of course, there's the issue of the public benefit, mainly the public access improvement that needs to be provided.

When you look at the individual development, the components of Pier 70, there is the impact fee that's equally heading to the high development cost.

I'm showing a picture of some of the current conditions of the building on Pier 70, the dilapidated structures and buildings that kind of lend rationale towards the anticipated high cost of developing Pier 70.

This picture does not indicate as to where the job-housing linkage program credit that I talked about, does not indicate how those are going to be allocated. Those would be allocated on a project-by-project specific basis when we do get to that point of using the job housing credit.

In terms of the strategies that staff are pursuing to address these challenges, back in 2011, staff discussed with the Port Commission some of these strategies. One of them involved listing Port inland sites that are no longer needed for trust purposes for affordable housing and using the proceeds from the listing or disposition of those to offset the high costs that I just discussed.

Developing affordable housing on Port property, this will not be the first time, the precedent, there is the Lances REI] project by the Lances REIT Foundation. I believe that project is 177 housing units with commission ground space. I know that one is a steamboat point affordable housing that was done through a master list with the former Redevelopment Agency.

What we are proposing will be introducing the third affordable housing on one of the Port properties.

Another strategy that staff was looking at in terms of looking at the assets that the Port have and how could we exploit bringing those assets to the highest and best use and achieving multiple goals. One of those strategy was developing affordable housing on Seawall Lot 322-1 and using the proceeds from that to offset the development costs on Pier 70.

As you all must be aware, Pier 70 is anticipated to have between 2.2 to 3 million square feet of commercial space towards the end of its development. There is significant cost associated with that, particularly with the impact fee that will need to be paid. Part of the proceeds from Seawall Lot 322-1 will be used to offset that in terms of making the project pencil.



As indicated in the staff memorandum, part of this strategy lets staff to pursue both state and local legislation to give authorization to what we're proposing to be done. The rationale includes that the site that we're proposing to be used for the affordable housing are no longer needed for trust purposes. The rationale for those are explained in the staff memorandum.

This site is located at Broadway and Front and Vallejo streets. It's currently being leased for surface parking. According to the previous presentation, the monthly revenue that the Port is generating is I believe \$48,000, a little bit more than what is showing in our staff report, which is coming out to be \$576,000 annually. It has a capacity for 151 self-park spaces or maybe 225 with valet parking.

This is another indication of where this site is located, it is directly in front of Pier 9 and is between Broadway and Vallejo and Front streets. We consider this site to be ideal, given all the other seawall lots that are on the northeast section of the waterfront. The site is currently flat. It's paved, as indicated in the previous presentation, and is available for surface parking.

The site is approximately 500 feet from the shoreline. On the current estimate, we're expecting that, given consideration to the sea level rise projections that, by 2050, it is now going to be inundated with flooding. But by 2100, a small portion might. Mitigation measures to address the sea level rise issue will be addressed during the site and building design phase of the project if it does move forward.

The current zoning, the height does allow for the proposed development or the proposed development affordable housing.

In terms of implementing the legislations that have been adopted to help address some of these issues facing Pier 70, staff have been collaborating with the Mayor's Office of Housing and Community Development, which I'll be referring to as Housing Office, to implement the direction from those legislation.

The process and anticipated use structure that we're looking at in terms of building affordable housing on Seawall Lot 322-1 include delegating the solicitation for affordable housing developer to the housing office, and they will take the lead in selecting the developer because this is their area of expertise. They do affordable housing. They know where the forms are, and they know what all the requirements are. Support staff will be working with the Housing Office and the selected developer to test the feasibility of including a public parking in that development.



In the previous presentation, there was an indication about the need to continue to maintain revenue stream to the Port from these parking lots. We thought it would be a good idea to include a public parking space in the proposed development but it has to be subject to a number of conditions. One, it has to make sense. It has to be financially feasible in order for us to do it. That is one key issue that we will be including.

The Housing Office and the selected developer will be responsible for all project funding. However, the Port is required to pay for the site appraiser, the incremental cost of putting the public parking garage in the project, an allocation of the site value to the portion or the development density that is allocated to the parking garage or that the parking garage is taking away from the housing, and the cost of gaining approval from the States Land Commission since that is our area.

The proposed MOU that we're proposing to be included in the lease, the term for that MOU would be for a period of three years. The three years is based on the rationale that it's going to take roughly about a year for the Housing Office to be able to issue the RFP because of the workload in their pipeline. They're dealing with a lot of projects at this point and usually takes between two to three years to get entitlement and go through the approval process. Three years would be ideal.

During that three-year period, there's going to be a schedule of performance benchmarks that the selected developer will need to meet, such as getting the design done, going through the CEQA review process. Those are going to have deadlines. We're proposing that the Port and the Housing Office be allowed to extend those in-between dates without coming back to the Port Commission. However, any extension beyond that three-year term will require your approval.

Basically, the project description includes an affordable housing or building where the housings are going to be above the podium. The podium level will include parking and retail space as well as other ancillary spaces to support the housing unit above that podium level.

According to the state legislation that we pass, the Port is allowed to lease the site for up to 75 years. The Board of Supervisors' ordinance and the local legislation that was passed requires or allows for the Housing Office to allow the Port to receive job housing credits. These are called the job-housing linkage credits.

This is a credit that could be used to offset impact fee that would be paid at a later time.



There would be a separate MOU when this is all done to track those job-housing credits that is awarded to the Port.

The Housing Office and the selected developer will need to pay for the entitlement and project approval cost, including CEQA. As I've indicated before, there's only four areas where the Port will be paying. The majority of the expenses in moving forward with the project will be paid by the Housing Office.

In terms of the next steps, we will be coming back to you in November to get approval of the MOU itself. This is just information I'm presenting here to inform you of our collaboration with the Housing Office. After we get direction from you to continue to move forward, we will finalize the MOU with the Housing Office and return to the Port, as I have indicated.

The development solicitation, as I've indicated, will take roughly a year because of the workload that the Housing Office is having and two years to complete the negotiation period with the selected developer. Once this is all done, we will come back to you with a refined project as well as the proposed lease for the site.

Commissioner Murphy - What's the incentive for the developer, to entice a developer to take on a project like that, apart from free land?

Ricky Tijani - It's not free land. They're going to be paying the fair market value of the land. However, this is an affordable housing project and that's why we're leaning on the expertise of the Mayor's Office of Housing. They know the wherewithal. Usually, these nonprofit developers, their incentive is providing this much-needed housing for the population that need this affordable housing.

Commissioner Murphy - Are these for rental or for sale? Is there percentage for sale or for rent?

Ricky Tijani - We're expecting that this is going to be rental. However, the final type of affordable housing and the level of availability is going to be determined by the Mayor's Office of Housing. That is the direction that the Board of Supervisors provided in the ordinance authorizing us to do this.

Commissioner Murphy - How many units are we anticipating building there?

Ricky Tijani - We estimate that it will be anywhere from 80 to 120.

Commissioner Murphy - That's quite small actually.



Ricky Tijani - Yes, it's going to be a function of the type of unit. If it's senior housing, it probably will be more. But if it's family renter, it's probably going to be less.

Commissioner Woo Ho - I have a couple of questions. I understand that on the parking side, since we want to replenish basically the parking that we would lose that we would have parking, and it's hopefully equivalent to what we have today, but we don't know that for sure yet. Then there's a height limit, 65 feet. Are we presuming that the parking is included in the 65 feet? Also, is this above-ground or below-ground parking, or what kind of parking is this?

Ricky Tijani - That is going to be determined through the design review process. When the selected developer comes on board, they're going to do their geotechnical review. Depending on where the water level is, if the water level is within a reasonable level, it more likely will be an underground parking.

Commissioner Woo Ho - But we're not anticipating that height's going to become an open issue. That lawn has had a lot of history as far as height is concerned in the past. So, we think the 65 feet can accommodate the housing and the parking levels anticipated.

Ricky Tijani - Yes but we anticipate that the total number of parking spaces may be smaller than what is currently there.

Commissioner Woo Ho - Then you mentioned that there's and it makes sense obviously perhaps on the ground level that'll be retail. That would be part of the developer's stream in terms of it would not be anything that the Port would participate in any retail on the first floor of the project.

Ricky Tijani - That is an open issue that would be addressed during the ENA period.

Commissioner Woo Ho - I'd certainly like to hear more about it and, obviously, making a plug here.

Ricky Tijani - Yes, I do understand that the affordable housing developer, they already concentrate on the housing side. The retail component has always been a challenge to them. So, we would look for a way to see what is going to work for both.

However, with respect to the parking garage, when we test the feasibility and it doesn't pencil for the Port financially, we will exercise at the Port's discretion whether to move forward with that. Because of that, from the get go, we would be expecting the developer to be pursuing two tracks of design,



one without a garage and one with the garage so that, if at the end of the ENA period the garage is not financially feasible, we're not going to be holding them from not moving forward quickly so they won't have to start all over again.

Commissioner Woo Ho - That will be a moving part that we have to find out more about. Partly, in concert with Commissioner Murphy's question, everybody's heard all the developers in the city put money into the affordable housing. I understand how we're generating this in response to the obligations of Pier 70 but is it envisioned that the funds that are in the affordable housing fund already in the city would also be applied to this project for the developer in addition to whatever private funding they get so that we're getting our credit that we need but there would also be funding from the housing fund that's already existed that developer's been paying into all along?

Ricky Tijani - Yes, currently, as part of the task to be completed under the MOU was to look at the funding sources for the affordable housing component. We were looking at this as many of these affordable housing projects they buy their land from the private party. They have to pay for the land. So, it's the same approach we're taking here that the land, according to the Senate bill said you need to get a fair market value for it to put into the Port's Harbor fund. It's the same thing that we're doing here. The nonprofit developer would not provide a fund but we're expecting the Housing Office to provide that

Commissioner Woo Ho - Yes, I'm just saying there's another level of funding that would be coming in, in addition to how we're going to apply this onto the Pier 70, but for this project itself that the housing fund that exists already in the city may be helping this developer in addition to the land fair market value. I'm just trying to understand that.

Ricky Tijani - That's correct.

Commissioner Woo Ho - In terms of the fair market value, my question is, given this is going to be a lengthy process, it's mentioned two or three years before it has to come back to us, when will we be ordering the appraisal to determine fair market value?

Ricky Tijani - We've done that already. According to the Board of Supervisors ordinance allowing this to move forward, one of those requirements to request the Director of Real Estate to procure an appraiser, we've asked them to move forward with that.

Commissioner Woo Ho - My concern would be, if this is two or three years out, real estate prices, market moves, how are we going to decide? We could



order appraisal now. Three years from now, I'm being optimistic and hoping that the market continues but it could go the other way, too. How do we then adjust for the fact that you've got this time factor going on? It's not like we're moving forward immediately.

Ricky Tijani - There are a number of ways to address that. We could probably ask for a situation whereby the appraisal would be updated to us when we're about to close to gauge where it is. I think the question for us to address is the allocation of the fair market value between the two components of the project. If the parking is not taking away from the available development and city, we think the majority of the land value will be coming to us. There is no question as to what the property will appraise for. Doing it now is more or less for pro forma purposes but the mechanism to capture what you just mentioned to make sure we're getting the maximum fair market value.

Commissioner Woo Ho - I appreciate hearing that we would if the timeline gets extended that there is an updated appraisal because we've already learned in some of the previous projects things move quite a bit in numbers. We obviously want to make sure it's current.

Commissioner Murphy - That's pretty common practice in amended appraisals after a couple of years.

Commissioner Woo Ho - I know but we've found so far we've had to actually discuss that here a few times. At some point, when would we expect to hear another progress report?

Ricky Tijani - As I indicated earlier, we're hoping to bring the MOU approval to you maybe in November or later because we need to have one additional community outreach to the Barbary Coast Neighborhood Association and Telegraph Hill Dwellers, even though we need to hold another community meeting. After that, we will let you know when we will be coming back. Currently, in the forward calendar, we will be coming back in November. But we think that may be premature since we need to get input from the community first before coming back to you, so most likely in December or early January.

- B. Informational report regarding the mixed-use development proposed by Forest City California, Inc. ("Forest City") for the Pier 70 Waterfront Site, bordered generally by 20<sup>th</sup> Street, Michigan Street, 22<sup>nd</sup> Street, and the San Francisco Bay.

Brad Benson, Director of Special Projects – This is the first of a series of quarterly updates that the Port Commission has requested about the Pier 70 waterfront site development project that we're pursuing with Forest City, California. Jack Sylvan is in the audience representing Forest City. I'd like to



introduce to you today Sarah Dennis Phillips with the Office of Economic and Workforce Development. She's going to be their Project Director on the project, reporting to Jennifer Matz, the Waterfront Project's Director in the Mayor's Office.

The last major milestone for the project was the Board of Supervisors' approval of the term sheet for the project describing the general financial agreement between the parties. It's not a binding document. We can't enter into a binding contract with Forest City on the development until after CEQA. That was an 11-0 vote at the Board of Supervisors, a lot of positive testimony from the community at the Board. That completed the Phase I milestones for the project under our exclusive negotiating agreement. We're really here today to map out for you what we are starting to do in Phase II, which is a 36-month period of time where we'll be working very diligently with Forest City to first initiate the CEQA process that's intended to start early next year.

The waterfront site is about a 28-acre site, and it includes two adjacent parcels at Illinois and 20th Street. We're hoping to include PG&E-owned property, called the hoedown yard.

The exhibit to the exclusive negotiating agreement includes all the Phase II milestones. The major things that we're doing are the CEQA process that I described. We'll be developing a disposition and development agreement, part of a larger set of transaction documents that will have attached to them leases for this site and purchase and sale agreements for this 28-acre site.

With the help of Supervisor Sophie Maxwell, voters approved Proposition D for Pier 70. We'll be preparing a land use and financial plan pursuant to Proposition D that will include a special use district that will be developed in conjunction with the Planning Department, which is essentially the rezoning for this site.

During this 36-month period of time, we'll also be getting other regulatory approvals. The State Lands Commission will be approving a trust swap pursuant to State legislation that we previously obtained. BCDC would issue a major permit for the parks in the BCDC shoreline ban. We'd also be working with the Regional Water Quality Control Board. Those approvals can't take place until after CEQA is complete but there would be a lot of work with our development partner getting ready for that.

Sarah Dennis Phillips - I'm very glad to be a part of this team and part of this project. It espouses the very principles of infield development that I've spent a lot of time advocating for while part of the Planning Department for the last eight years.



The Preliminary Project Assessment (PPA) a process the Planning Department goes through with medium- to large-sized projects to give an early view and early feedback on what we feel about the project. For us on the Pier 70 team, it's a good indication of what we need to do moving forward. It's intended to provide project sponsors with feedback as well as provide early coordination with the Planning Department so that we all work as a city team moving forward.

A couple of things that came out of that, basically a roadmap for the environmental review work that we'll need to do as well as the approval process that we'll be trying to move this project through. With regards to CEQA and environmental review, we're looking at an EIR that addresses the typical CEQA requirements, like transportation, air quality, noise, as well as ones that are particularly relevant to this waterfront site, like sea level rise and wind, although I guess this site isn't particularly windy, but it's often a big issue in waterfront sites.

With regard to project approvals, we're still developing collaboratively as a city team what that approval process will be. We're going to be seeking a series of master plan approvals at both the Port and Planning Commissions that will cover development controls for buildings, transportation, infrastructure, sustainability.

Hopefully, those master plan development documents will be detailed enough to provide a smooth path for later individual building and infrastructure approvals.

The PPA was very helpful for helping us clarify what we really needed to work on with all of our partner city agencies for the next steps of design. One of the ways we're going to do that is through a city staff charette over the next four months. There was a series of charettes last winter and spring that shaped the project's concept that it is today.

There were some open questions from that work as well as some new developments since that time that we want to focus on. A couple of things I want to call out, obviously, the Illinois and 20th Street parcels and the hoedown yard that are part of the project site, those were not particularly developed or shaped in terms of what is the front door to the project. How does that integrate with the waterfront site?

Digging into what the appropriate land uses, urban form, and how those sites integrate in a street network and frontage level with the waterfront site is something we're going to be looking at through those city staff charettes.

Another thing that has developed since those earlier charettes is the potential development of the NRG site to the south. Directly south to the waterfront site is the former Power Plant. It's been through a series of ownerships.



NRG is the most recent partner. They are actively looking into development and bringing on a development partner at this time. No specific ideas of what that development will be but early thoughts are roughly similar with the Pier 70 waterfront site concept, mixed use, including office and residential, trying to retain some of the historic buildings. It presents a lot of opportunities in terms of integrating waterfront open space as well as street networks across the two sites. That's something we're going to want to look heavily into as well.

Couple other key issues that we are going to look into is the potential for increased residential development. Hopefully, you're aware of the option of up to 2,000 units on the site. That's something that was included in the term sheet to look into. It's something that we'd like to develop through these charettes to see how it would work, what could be the tradeoffs, benefits. Where could that be located? That's something we'll look heavily into as well, spending more time on historic buildings and how we integrate their context.

A key component of these charettes, will be fleshing out the concept level infrastructure, sewer, water, and electrical. At this stage, we'll be looking at a very high level but that is needed for the project description for CEQA purposes. Port staff will be integral in us working with other city agencies to kick off that kind of infrastructure level discussion.

Work from those charettes are also going to form the bones of the ultimate master plan documents that I discussed in the approvals section, particularly the development controls and design guidelines for buildings, as well as the other street sections.

A third aspect that is on the horizon, although we don't have specific dates for it, is the community outreach. Obviously, working with you and Forest City as our partner, we'll need to go out to the community and talk about the increased residential and how that will work, talk about the Illinois Street parcels and the hoedown yard and integration with the PG&E site as well.

Brad Benson - As you know, the Port's main tenant in the waterfront site area was Auto Return. Actually, we leased directly to the San Francisco Municipal Transportation Agency and their contract or was Auto Return. They moved to a site in Brisbane in June.

I have to commend Port Real Estate staff for the work that they've done in quickly leasing up the site. Jeff Bauer and Jerry Romani have been working with industrial tenants who have been surprisingly flexible in terms of understanding that this is a development site that the leasing that we can conduct here has to line up with the phasing that Forest City is planning for the site.



As Jerry and Jeff were negotiating with potential tenants for the site, we were communicating with Jack and the Forest City team just to make sure that everything lined up. Yellow Cab moved into this site. They've executed a lease and occupy the site right now. They're doing cab storage and some dispatch from the site. San Francisco Honda lease (Boas International) is pending.

Port staff is negotiating two potential leases with Affordable Self-Storage, a current Port tenant. Another area needs to be vacated for purposes of Orton's impending development and potential parking for that use. All in all, it's been a very successful interim leasing effort.

Forest City's put a lot of emphasis on the fact that Pier 70's been industrial. It's not been accessible to the surrounding neighborhoods. They want to pursue a program of events and interim uses that begin to introduce the public to this amazing location.

Monique talked at the beginning of the meeting about the urban air market and about the forthcoming Ghost Ship event. That's part of Phase 0.

An area along Illinois Street might be a location for some Phase 0 activities that would probably be more standing activities, could include some retail and other community-serving kinds of uses. We're also examining the area, which is Building 12, where some of these larger events have been taking place, to see whether something can be done there as well. When Forest City completes the proposals, we would bring those to you for your consideration but we're excited about this Phase 0 work.

A lot of what we've been doing on the city staff time is organizing ourselves across city departments and into teams that are going to be tackling different components of the work that Sarah described. Sarah's going to be leading the group that is looking at CEQA and land use, working with Port staff on those issues. OEWD is going to play a significant role in the continued planning work.

The Port is going to be focused on the DDA and the financial plan to fund all of the infrastructure. Steven Reel on Port staff is going to be working very closely with Forest City's engineers to develop that infrastructure plan and coordinate with other city departments, like the San Francisco Public Utilities Commission and the Department of Public Works. We are trying to get an interdisciplinary team from across the city to focus on how we build this new neighborhood.



We intend to come back to you with a proposal to amend that exclusive negotiating agreement, perhaps as early as the November meeting to address a few issues for this Phase II period of time.

Commissioner Murphy - I'm happy that you went ahead and got your PPA letter from Planning. I like very much the way you're sort of lining up your ducks there, especially with the other two lots. They're all going to come under the same environmental review. That's the real smart way of doing it. Otherwise, you have environmental done for one and you end up having to start the other one three years from now or something, which drags everything out. I think it's coming along pretty nice. Kudos to the Real Estate Department for getting the new tenants in there and getting the money; keep the money coming in. Thank you for a wonderful presentation.

Commissioner Katz - I thought the presentation was very clear and exciting to see everything moving forward. I'm also impressed at getting all the different city agencies to coordinate. Tying into our prior item, on page six of the staff report under the affordable housing, in addition to what the Port would be providing or potentially under an MOU with the Mayor's Office of Housing, would there still be the 20 percent inclusionary housing on site as well? Is that contemplated?

Brad Benson - Yes, the term sheet contemplates that the development would be following all of the city's applicable affordable housing rules. The on-site inclusionary number is 15 percent where there's public ownership of the site. The private market rate is below that at 12 percent. We're going to be at that 15 percent mark.

There's also a job-housing linkage fee requirement for new commercial development. To Ricky's presentation, that's where the fee credits would go. We would be able to bring the fee credits either to the waterfront site or one of these adjacent development sites in Pier 70 to fulfill that obligation by developing the affordable housing on Seawall Lot 322-1.

Commissioner Katz – With regards to the proposed Affordable Self-Storage, it's my understanding this would be a relatively short-term lease at the site, or what's the contemplated timing for something like that?

Brad Benson - Most of the other leases that we talked about, the Yellow Cab lease, the SF Honda lease, are very short-term agreements, three years or less. Affordable Self-Storage, one of the leases, the larger of the two that is truck marshaling is the same. At 20th and Illinois right now, the Affordable Self-Storage units that are in cargo containers, it's personal storage of items. That's contemplated to be a longer-term lease. We agreed to slightly less than five years with one-year renewal options at the Port's option.



Forest City agreed to that because that particular portion of the site is late in the development plan. We also have other provisions in the lease to be able to move for development purposes. We've built that sort of belt-and-suspenders approach in.

Commissioner Katz – I was concerned we might get stuck with something that we need a longer term and may not have that space available.

Brad Benson - We've been very careful to make sure that the interim leasing matches up with the development and that we've preserved rights.

- C. Request authorization to amend contract with Economic & Planning Systems, Inc. to provide additional real estate economics and related consulting services for the Pier 70 Waterfront Site, and to increase the contract amount by \$250,000 (or 50%) to \$750,000, and extend the term of the agreement for an additional 14 months. (Resolution No. 13-43)

Andres Acevedo, Contracts Manager at the Port – I am seeking authorization to amend the existing professional service contract with Economic Planning Systems, Incorporated, EPS, to increase the not-to-exceed amount from \$500,000 to \$750,000 and to extend the term end date from February 28, 2014, to April 30, 2015.

In February of 2012, this Commission authorized four contracts for as-needed real estate economic and related services to the following firms, BAE Urban Economics, Inc.; Economics & Planning Systems, Inc.; Kaiser Marston Associates, Inc.; and Seifel Consulting, Inc. Each contract had a maximum contract value of \$500,000 and a three-year term with an option to extend to a fourth term.

Under the contract, EPS has served as the Port's primary real estate economics consultant for the Pier 70 waterfront site development proposed by Forest City, California, and Piers 30-32 multipurpose venue project proposed by the Golden State Warriors. Presently, there's only approximately \$25,000 or 5 percent of the authorized contract value of \$500,000 remaining and only about a five months' term left on the existing contract.

As there's been a significant amount of consultant work left needed to be done over the next 18 to 24 months as the Port city team continues to negotiate with Forest City on the development disposition agreement for the Pier 70 site, as a result, the Port staff is seeking authorization to increase both the term of the contract and the maximum amount of the agreement with EPS. All other terms of the contract would remain the same.

Currently, the contract has a 22 percent goal. To date, EPS has only achieved an LBE participation rate of 19 percent. With approval of this



contract amount and the execution of the additional work as presently planned, EPS would be able to exceed their goal of 22 percent by the end of the amended contract term. Funds for this additional work would come from the Port's operating budget, but it would be reimbursed by Forest City as part of the exclusive negotiation agreement.

In conclusion, Port staff requests the Port Commission's authorization to amend the contract with Economic Planning Systems for real estate economic and related consulting services by: (1) increasing the contract amount from \$500,000 to \$750,000, and (2) by extending the contract termination date from February 28, 2014, to April 30, 2015.

Commissioner Katz - Can you just explain a little bit how we ended up so far off budget?

Andres Acevedo - I don't think we ended up off budget. We just had a significant amount of work for them, especially working with the Golden State Warriors project on this. The team has found that the Port's and the city's negotiating efforts have been extremely helpful. We want to continue to use them. We thought it was best to go ahead and modify and extend the contract, exercise our fourth year, and also increase the amount of capacity on that.

Commissioner Katz - It's my understanding, as compared to some of the others, they have a bit more unique expertise when it comes to sports-related issues.

Andreas Acevedo - They did bring in a subconsultant, who was a nationally recognized expert on sports consulting and that was what much of their use was for.

Commissioner Woo Ho - In discussing this item, I'd like to note that you do have these four contracts of \$500,000 each but it does not necessarily mean that all funds would be expended. To answer the question of the budget, we did get assurance that this would not cause a budget issue. This causes us to spend more money on one contractor or consultant but it's likely that we will stay within the amounts budgeted. For the other consultants, we will not spend as much money as an offset.

Andres Acevedo - We have not planned to reduce that capacity.

Commissioner Woo Ho - I understand that but that's the plan. I understand that there is a contract there but in terms of managing for the budget purposes that we intend to stay within the budget. That's in response to Commissioner Katz's question and to be on record.



Monique Moyer - You're correct.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 13-43 was adopted.

## 9. NEW BUSINESS

Monique Moyer - I want to follow up on one piece that you've asked before, which is to come back to the Commission when the economic information is available from AC34. I haven't put that on the forward calendar yet because I don't yet have a good idea when it will be available but I wanted you to know I haven't lost track of it.

Commissioner Woo Ho - When you do that, perhaps you could also talk about if we know by then if the city of San Francisco's going to be involved, how we would proceed with all of that going forward.

Monique Moyer –Sure, I'd be happy share whatever we have by then.

Commissioner Woo Ho - There's some questions about how the process is going to work if that's the case. But at the moment, I guess we still haven't received any notification yet.

Monique Moyer - On that, the Americas Cup Event Authority exercised their option for the city to present them with a proposal within 90 days from the end of the racing, which I believe was September 25th, which would put us out at about December 23rd more or less if you count calendar days. The city is coming together to work on that but we are waiting for some guidance as well from the Event Authority as to their vision.

Commissioner Woo Ho - So we are on track; we have to respond by December 25th. The Americas Cup side in terms of their protocol has other things to deal with, challengers and which may happen in 2014. In the meantime, we're going to have to prepare first.

Monique Moyer - That's correct, more to follow but the initial step of the Event Authority exercising their option has taken place.

Commissioner Woo Ho - Yes and their lease on the properties at the moment was supposed to expire at the end of November.

Monique Moyer - One of the properties comes back to the Port on November 1st, which is the Pier 27 cruise ship terminal and valley. Most of the rest of the properties come back either December 31st as their last day of occupancy or March 31st, so coming back January 1 or April 1, depending on what they are. For



example, with the Pier 23, the shed comes back to us January 1st but the bulkhead doesn't come back to us until April 1st.

Commissioner Woo Ho - By exercising the option for us to respond by December 25th, how does that impact the existing leases?

General Counsel Eileen Malley - This should be agendized for a future meeting since we're getting into substance here.

Commissioner Brandon – But this is new business.

## **10. ADJOURNMENT**

ACTION: Commissioner Brandon moved approval to adjourn the meeting in memory of the two BART workers tragically killed on October 19, 2013: Chris Sheppard of Hayward and Laurence Denils of Oakland. Commissioner Katz seconded the motion. All of the Commissioners were in favor.

Commission President Doreen Woo Ho adjourned the meeting at 5:34 p.m.

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